



REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF THE FEDERATION

FOR THE YEAR

2002-2003

NATIONAL ASSEMBLY SECRETARIAT
ISLAMABAD

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PREFACE

Under Article 171 of the Constitution of Islamic Republic of Pakistan, 1973 read with Rules 177 and 203 of Rule of Procedure and Conduct of Business in the National Assembly 2007, the Annual Report of the Auditor General of Pakistan relating to the Accounts of the Federation for the year 2002-03 was referred to the Public Accounts Committee for examining the appropriation of the sums granted by the Assembly for the expenditure of the Government to ensure transparency through parliamentary oversight.

In view of the backlog of Audit Reports, the PAC had taken initiative to constitute sub-committees with the distribution of work on yearly basis. The sub-committee-II headed by Syed Naveed Qamar, MNA was allocated the Audit year 2002-03 for discussion. The Committee had extensive meaningful meetings on the Audit Report where cooperation of Audit and the Ministries/Divisions paved the way for the committee to complete this hard task by submitting its draft report to the Public Accounts Committee, (PAC).

The accomplishment of this exercise is outcome of sincerity, hard work and enthusiasm of the Hon. Members of the Public Accounts Committee. They under the zealous support of the Hon. Chairman were able to complete the assignment. During whole of the exercise, Syed Khursheed Ahmed Shah, Chairman, Public Accounts Committee remained key strength, who provided motivation to the PAC Wing to channelize its working into the right direction.

The drafting, preparation and printing of this Report has been made possible due to the extensive cooperation and hard work of the officers/staff of the Public Accounts Committee Wing of the National Assembly.

I am confident that the suggestions and recommendations of the Committee would encourage and assist the Government in strengthening the system and procedure for the efficient financial management and transparency.



(TAHIR HUSSAIN)

Secretary

National Assembly Secretariat

Islamabad, the 11th April, 2018

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE

1.	Syed Khursheed Ahmed Shah, MNA	Chairman
2.	Raja Muhammad Javed Ikhlas, MNA	Member
3.	Mr. Najaf Abbas Sial, MNA	Member
4.	Mr. Saeed Ahmed Khan Manais, MNA	Member
5.	Chaudhary Nazeer Ahmad, MNA	Member
6.	Shaikh Rohale Asghar, MNA	Member
7.	Syed Ghulam Mustafa Shah, MNA	Member
8.	Sardar Muhammad Jaffar Khan Leghari, MNA	Member
9.	Sahibzada Muhammad Nazeer Sultan, MNA	Member
10.	Rana Afzaal Hussain, MNA	Member
11.	Syed Naveed Qamar, MNA	Member
12.	Dr. Azra Fazal Pechuho, MNA	Member
13.	Mr. Shafqat Mahmood, MNA	Member
14.	Dr. Arif Alvi, MNA	Member
15.	Mr. Abdul Rashid Godil, MNA	Member
16.	Dr. Khalid Maqbool Siddiqui, MNA	Member
17.	Ms. Shahida Akhtar Ali, MNA	Member
18.	Syed Kazim Ali Shah, MNA	Member
19.	Sheikh Rasheed Ahmad, MNA	Member
20.	Mr. Mahmood Khan Achakzai, MNA	Member
21.	Sardar Ashiq Hussain Gopang, MNA	Member
22.	Ch. Pervez Elahi, MNA	Member
23.	Mian Abdul Mannan, MNA	Member
24.	Senator Ch. Tanvir Khan	Member
25.	Senator Sherry Rehman	Member
26.	Senator Muhammad Azam Khan Swati	Member
27.	Senator Molana Abdul Ghafoor Haideri	Member
28.	Senator Mushahid Hussain Syed	Member
29.	Senator Hidayat Ullah	Member
30.	Minister for Finance, Revenue & Economic Affairs Ex-Officio	Member

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EXECUTIVE SUMMARY

The Public Accounts Committee (PAC) signifies one of the essential constituents of Parliamentary dominion which is the accountability of Public money. For this, it examines the Appropriation Accounts/Audit Reports/Special Audit Reports which are referred to the Parliament by the President of Pakistan. The examination of Auditor General's Reports pertaining to the Ministries, Divisions, Corporations and other autonomous and semi- Autonomous bodies is one of the main functions of the PAC.

The current PAC inherited a huge backlog of about eight years of Audit Reports. This backlog demanded the PAC to constitute Committees to examine the pending Audit Reports. To clear the backlog, PAC constituted four Committees including the Sub Committee-II on 15th January, 2014. The Sub Committee-II was assigned the Audit Reports for the year 2002-03 and 2003-04 under the Convenership of Honorable Syed Naveed Qamar, MNA. The Committee initially started examination of both the Audit Reports, however, the Audit Report for the year 2002-03 was focused by the Committee to ensure its timely presentation in the House. The Committee continued its efforts to achieve its assigned tasks and was successful in doing so. It is also worth mentioning that some of the Ministries examined by the then Sub-Committee of 13th PAC headed by Mr. Zahid Hamid, MNA in the year 2011 have also been made part of this report under Rule 205 of Rules of Procedure and Conduct of Business in the National Assembly, 2007.

This report comprises the Grants and Audit Paras pertaining to the Appropriation accounts/Audit Reports/Special Audit Reports for the year 2002-03 and the same has been adopted unanimously by the PAC in its meeting held on 27th March, 2018.

➤ **Objectives and Scope**

- a. The President causes the Reports of the Auditor General relating to the Federation to be laid before the Parliament according to Article 171 of the Constitution of the Islamic Republic of Pakistan.
- b. The Committee carries out its functions according to the Rule 203 of Rules of Procedure and Conduct of Business in the National Assembly, 2007.
- c. The Committee has powers to take evidence or call for papers, records or documents according to Rule 227 of the Rules *ibid*.

➤ **Key Observations**

During the meetings, following key observations came in the notice of the Committee:

Non-recovery of Government dues

There were huge amounts which were not recovered by the concerned departments. It included pending rents and charges, recoveries from defaulting contractors and the customers.

Embezzlement

Embezzlement of large amounts was observed in different cases of different departments.

➤ **Court cases**

Court cases were not being dealt with responsibility. In some departments, timely actions were not being taken to defend the cases due to which cases become weak. Sometimes PAOs were not aware about the details and the latest position of the court cases.

Non-Production of record

It was not possible to scrutinize the matters in which record was not available. In many cases record was not provided by the departments to the Audit. Different reasons in this regard were presented by the witnesses i.e. burning of record, missing of record due to transfer of offices or devolution of departments etc.

Non-compliance of rules:

In different cases violation of Government rules were observed. Such cases included:

- i. Awarding of contracts without open tenders;
- ii. Procurement of goods and services; and
- iii. Unjustified payments to Officers/Officials.

➤ **Achievements:**

- a. Committee examined **164 Grants** and **1244 Paras** in **39 meetings** which became possible with the commitment and co-operation of the members of the Committee.
- b. Committee was successful in recovering a considerable amount of Rs. 3811.075 million.

- c. It was observed by the Committee that the forum of DACs was not properly functional which resulted in prolong discussions at the Committee level and the issues which should have been resolved therein were to be discussed in the meetings of the PAC. The Committee was successful in making DACs functional by its persistent directives.

➤ **Special thanks to:**

a. **Honorable Speaker, National Assembly of Pakistan**

I am thankful to the Honorable Speaker, Sardar Ayaz Sadiq for his cooperation and support. The efforts of the Honorable Speaker to strengthen the PAC are commendable.

b. **Convener and Members of the Committee-II**

I appreciate the commitment level of the Convener, Syed Naveed Qamar MNA and other Members of the Sub-Committee-II Sahibzada Muhammad Nazeer Sultan MNA, Syed Ghulam Mustafa Shah MNA, Mian Abdul Mannan, MNA, Mr. Saeed Ahmed Khan Manais MNA, Senator Sherry Rehman. Active participation and precious input of Mr. Junaid Anwar Choudhary, MNA and Dr. Darshan, MNA as member of PAC are also commendable.

c. **Office of the Auditor General of Pakistan**

My special thanks to Mr. Javaid Jehangir, Auditor General of Pakistan, Mr. Sharifullah Khan Wazir, Deputy Auditor General (FAO), - and all the Directors General of Audit and their teams who worked hard in accomplishment of this task.

d. **PAC Wing (National Assembly Secretariat)**

The working of the PAC staff is appreciable. I would like to mention the name of Mr. Iftikhar Rahim Khan, Additional Secretary whose competency and professionalism played a significant role in the making of this report. I appreciate the efforts of Syed Fayyaz Hussain Shah, Joint Secretary in finalization of this Report. I would also like to commend Mr. Inhamul Haq Khan, Deputy Secretary, who was also Secretary Committee, for his focused efforts in scheduling, arranging and coordinating frequent PAC meetings. I am thankful to my personal staff who worked with great enthusiasm in accomplishment of the task. I appreciate everyone for their commitment.

e. Print and Electronic Media:

I appreciate the efforts of electronic and print media whomade the PAC`s efforts visible to the public.

➤ **Recommendations:**

While submitting this Report to the National Assembly of Pakistan, the Committee recommends that:

- a. Suggestions, directives and recommendations made by the Committee in this Report and the Actionable Points be accepted for implementation by respective Ministries/Divisions/Departments in the Federal Government.
- b. Excess budget statements for the year 2002-2003 may be regularized in accordance with the provisions of the Constitution.



(TAHIR HUSSAIN)

Secretary

National Assembly Secretariat

Islamabad, the 11th April, 2018



SYED KHURSHEED AHMED SHAH

Chairman

Public Accounts Committee

RECOVERY STATEMENT ON THE DIRECTIVES OF COMMITTEE FOR THE YEAR 2002-03

S.NO	MINISTRY/DIVISION/DEPTT.	RECOVERY EFFECTED (Rupees in Million)
1.	Aviation	194.429
2.	Capital Administration & Development Division (CADD)	11.942
3.	Communication	10.936
4.	Defence	1.703
5.	M/o Defence Production	30.715
6.	Energy (Petroleum Division)	507.894
7.	Federal Board of Revenue	1939.91
8.	Finance	90.111
9.	Foreign Affairs	0.717
10.	Housing & Works	0.006
11.	Human Resources Development	827.765
12.	Industries and Production	46.671
13.	Information Technology	0.148
14.	Maritime Affairs Division	22.806
15.	Railways	125.322
	Total:-	3811.075

**DETAILS OF EXCESS EXPENDITURE
FOR THE YEAR 2002-2003**

EXCESS BUDGET STATEMENT FOR THE YEAR 2002-03

S.#	Name of Ministry/Division/Department and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
1	2	3	4	5	6	7	8	
1	M/o Defence	124- Development Expenditure of Defence Division (OTC)	596,730,000	17,627,000	614,357,000	616,643,276	2,286,276	The Committee recommended the grant for regularization.
2	Economic Affairs Division	154- External Development Loans and Advances by the Federal Government (OTC)	24,869,691,000	--	24,869,691,000	27,632,401,127	2,762,710,127	The Committee recommended the grant for regularization.
		155- Capital Outlay on Civil Works	726,440,000	159,013,000	885,453,000	984,412,140	98,959,140	The Committee recommended the grant for regularization.
3	M/O Education, Trainings and Standard in Higher Education	29- Education Division (OTC)	149,337,000	--	149,337,000	149,437,522	100,522	The Committee recommended the grant for regularization.
		30- Education (OTC)	3,744,740,000	382,716,000	4,127,456,000	4,391,861,390	264,405,390	The Committee recommended the grant for regularization.
4	Finance Division	38- National Savings (OTC)	360,589,000	20,000,000	380,589,000	380,926,001	337,001	The Committee recommended the grant for regularization.
		39- Other Expenditure of Finance Division (OTC)	1,876,430,000	250,000,000	2,126,430,000	2,595,306,065	468,876,065	The Committee recommended the grant for regularization.
		40- Superannuation Allowances & Pension (OTC)	34,477,706,000	839,020,000	35,316,726,000	40,334,670,322	5,017,944,322	The Committee recommended the grant for regularization.
		152- Capital Outlay on Federal Investments (OTC)	428,650,000	190,500,000	619,150,000	828,650,000	209,500,000	The Committee recommended the grant for regularization.

S.#	Name of Ministry/Division/Department and Date of Meeting	Grant No.& Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
1	2	3	4	5	6	7	8	
		153- Development loans and Advances by the Federal Government (OTC)	17,511,953,000	1,950,000,000	19,461,953,000	21,097,473,000	1,635,520,000	The Committee recommended the grant for regularization.
5	M/O Foreign Affairs	57- Other Expenditure of Foreign Affairs Division (Charged)	15,245,000	--	15,245,000	74,494,802	59,249,802	The Committee recommended the grant for regularization.
6	M/o Food Agriculture and Livestock	113- Capital Outlay on purchase of fertilizer	18,478,000	-	18,478,000	25,882,479	7,404,479	The Committee recommended the grant for regularization.
7	M/O Housing & Works	61- Hosing & works Division (OTC)	31,227,000	60,000,000	91,227,000	123,970,696	32,743,696	The Committee recommended the grant for regularization.
		62- Civil Works (Charged)	2,105,000	--	2,105,000	39,591,240	37,486,240	The Committee recommended the grant for regularization.
8	M/o Information & Broadcasting	71- Press Information Department (OTC)	98,192,000	27,966,000	126,158,000	127,059,062	901,062	The Committee recommended the grant for regularization.
		73- Other Expenditure of Information & Media Development Division (OTC)	1,327,779,000	47,200,000	1,374,979,000	1,376,479,000	1,500,000	The Committee recommended the grant for regularization.
		22- Other Expenditure of Minorities, Culture, Sports, Tourism & Youth Affairs	207,045,000	21,700,000	228,745,000	228,968,742	223,742	The Committee recommended the grant for regularization.
9	M/o Industries & Production	67- Other Expenditure of Industries & Production Division(OTC)	167,010,000	136,894,000	303,904,000	310,125,258	6,221,258	The Committee recommended the grant for regularization.

S.#	Name of Ministry/Division/Department and Date of Meeting	Grant No.& Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
1	2	3	4	5	6	7	8	
10	M/o Information Technology and Telecommunication	106- Information Technology and Telecommunication Division	709,732,000	30,305,000	740,037,000	741,171,287	1,134,287	The Committee recommended the grant for regularization.
11	M/o Interior	74 - Interior Division (OTC)	91,735,000	64,930,000	156,665,000	3,422,002,256	3,265,337,256	The Committee recommended the grant for regularization.
		75- Islamabad (OTC)	1,309,682,000	7,901,000	1,317,583,000	1,342,129,320	24,546,320	The Committee recommended the grant for regularization.
		77 - Civil Armed Forces (OTC)	4,207,557,000	78,677,000	4,286,234,000	4,327,784,092	41,550,092	The Committee recommended the grant for regularization.
		80 - Other Expenditure of Interior Division (OTC)	1,021,863,000	1,631,770,000	2,653,633,000	2,834,275,059	180,642,059	The Committee recommended the grant for regularization.
12	M/o Kashmir Affairs & Gilgit-Baltistan	82 - Kashmir Affairs & Northern Areas & States & Frontier Region Division (OTC)	140,439,000	22,000,000	162,439,000	162,444,062	5,062	The Committee recommended the grant for regularization.
		89- Northern Areas (OTC)	1,334,399,000	1,440,000	1,335,839,000	1,577,979,282	242,140,282	The Committee recommended the grant for regularization.
13	M/o States & Frontier Region	83- Frontier Region (OTC)	1,034,465,000	--	1,034,465,000	1,087,550,881	53,085,881	The Committee recommended the grant for regularization.
14	FATA Secretariat	85- Federally Administrative Tribal Area (OTC)	2,940,753,000	--	2,940,753,000	3,045,403,289	104,650,289	The Committee recommended the grant for regularization.
		86- Maintenance Allowances to Ex-Rulers	3,749,000	--	3,749,000	3,783,700	34,700	The Committee recommended the grant for regularization.

S.#	Name of Ministry/Division/Department and Date of Meeting	Grant No.& Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
1	2	3	4	5	6	7	8	
		138- Development Expenditure of FATA	1,984,500,000	217,000,000	2,201,500,000	2,951,865,357	750,365,357	The Committee recommended the grant for regularization.
15	M/o National Health Services, Regulations and Coordination	58- Health Division (OTC)	98,047,000	--	98,047,000	98,859,010	812,010	The Committee recommended the grant for regularization.
16	M/o Petroleum & Natural Resources	141- Development Expenditure of Petroleum and Natural Resources Division (OTC)	113,000,000	71,800,000	184,800,000	528,424,000	343,624,000	The Committee recommended the grant for regularization.
17	M/o Planning Development & Reform	142 - Development Expenditure of Planning & Development Division (OTC)	59,957,000	2,267,547,000	2,327,504,000	2,790,601,967	463,097,967	The Committee recommended the grant for regularization.
18	M/o Postal Services	150 - Capital Outlay on Pakistan Post Offices Department (OTC)	18,120,000	--	18,120,000	18,129,073	9,073	The Committee recommended the grant for regularization.
19	M/o Water & Power	109- Water & Power Division(OTC)	84,138,000	21,491,000	105,629,000	105,819,470	190,470	The Committee recommended the grant for regularization.

REPORTS

AVIATION DIVISION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Aviation Division was examined by the PAC on 30th May, 2016.

- 01 grant and 43 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 01 grant and 29 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.
- In one para PAO was directed to contact NAB for the re-opening of case.

AVIATION DIVISION

ACTIONABLE POINTS

Actionable Points arising out of the discussion during the meeting of PAC held on 30th May, 2016 while examining Audit Reports/ Special Audit Reports for the year 2002-03 of pertaining to M/o Aviation Division are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1. GRANT NO.25-METEOROLOGY

PAC DIRECTIVE

The Committee settled the above mentioned grant for regularization.

2. i. PARA 1.1, AUDIT REPORT 2002-03 NON-RECOVERY OF RS. 296.153 MILLION FROM CONCESSIONARIES

The Audit pointed out that accounting manual of CAA para-5.1.1 stipulates that electricity water and other charges with regard to rented property of CAA are to be billed to the occupants / users.

Civil aviation Authority could not recover outstanding dues from various concessionaries of Jinnah International Airport Karachi. Non-observance of stated policy resulted in non-recovery of Rs. 296.153 million for the year 2001-2002. Moreover, this irregularity is a continuous feature. Audit further informed the Committee that out of reported recovery of Rs. 239.889 million, record relating to recovery of Rs. 145.720 million has been produced and verified by audit.

The PAO apprised the Committee that the remaining matter is subjudice in the Court and when the Court will decide then we will recover the amount. The PAO further informed the committee that Rs.84 million is balance with the different departments including PIA, Immigration, Airport health, Police and ASF etc.

ii) PARA 1.3, AUDIT REPORT 2002-03 NON-RECOVERY OF SURCHARGES OF RS. 84.031 MILLION ON LATE PAYMENT BY THE CONCESSIONARIES OF JIAP

Audit pointed out that the standard clause 3(b) of the license agreement pertaining to the commercial concessionaires stipulates, "if the license fee or any part thereof shall be in arrears for one month or more after the same has become due, whether demanded or not, the Airport

Management / licensor may terminate the license agreement and take over the premises without any right or compensation or remedy to the licensee or impose financial charges @ 5% above the bank rates or impose a fine Rs. 500 for each day on such default”.

ii) **PARA 1.4,AUDIT REPORT 2002-03**
NON-RECOVERY OF INTEREST OF RS. 53.035 MILLION

Audit pointed out that the decision taken in the meeting held on 31st March, 1998 under the Chairmanship of Secretary Defence stipulates, “PIAC will pay Rs. 1000 million to Civil Aviation Authority on account of outstanding dues. In case of default in any monthly payment, PIAC will pay 14% interest on the amount so accrued”.

PAC DIRECTIVE

The Committee settled the para for settlement to extent of amount recovered Rs.145.720 million and directed the PAO to make efforts for the recovery of remaining amount. The Committee further directed the PAO to submit a list of the departments’ alongwith their remaining amount of recoveries in the next meeting. The Committee clubbed the para 1.3 & 1.4 with the para No. 1.1.

3. **PARA 1.2,AUDIT REPORT 2002-03**
OVERPAYMENT OF RS. 89.950 MILLION DUE TO INCORRECT FIXATION OF PAY

Audit pointed out that the para 4 (a) and (b) of Administrative Order NO. 1/2002 (revised) dated 18th November, 2002 issued after approval by the Finance Division, regulation wing, Government of Pakistan states, “pay of the employees holding original scale of the post or selection grade as the case may be, as on 1st December, 2001 shall be fixed in the revised scale at the stage which is as many stages above the minimum as the stage occupied by him above the minimum of 1994 Pay Scale.”

The PAO informed the Committee that the CAA had taken the base year of 1994 and made fixation according to it. Which was actually 1998 and the Ministry of Finance has clarified it through a letter that 1994 should be read as 1998. This meant that the base year was supposed to be 1998. After the clarification all the re-fixations were made according to the year 1998. He further apprised the committee that the opinion of CAA lawyer that going for intra court appeal will not be fruitful in this case.

PAC DIRECTIVE

After detailed discussion the Committee directed the PAO to write a letter to the M/o Law Justice for obtaining legal opinion on the issue under intimation to the PAC. The para will remain pending.

4. **PARA 1.6,AUDIT REPORT 2002-03**
OVER PAYMENT OF RS. 1.450 MILLION ON ACCOUNT OF REIMBURSEMENT
OF CLUB MEMBERSHIP

Audit pointed out that the Civil Aviation Authority Board authorized the Chairman Board/Secretary Aviation to decide on capping the Club Membership fee to adopt austerity measures. Accordingly the Chairman Board/director General, Civil Aviation Authority made necessary revisions and capped the ceilings keeping in view of designation of officers.

The PAO informed the committee that now the CAA has discontinued this practice of paying membership fee to its employees/officers.

PAC DIRECTIVE

The Committee settled the para and showed displeasure on the issue. The Committee also directed the management to avoid this practice in future.

5. **PARA 2.1,AUDIT REPORT 2002-03**
LOSS OF RS. 4.810 MILLION DUE TO NON-EXECUTION OF LEASE
AGREEMENTS

Audit pointed out that according to item no. 20(2) of the CAAo-11-3 dated 28th February, 1989 (Land lease policy), “the lease agreement shall be executed on behalf of the Authority by the Airport Mangers”.

Civil Aviation Authority (Gawadar Airport, Turbat Airport, Skardu Airport and Gilgit Airport) could not xecute lease agreements with Airport Security Force, Meteorology Department, Janbaz Force and Agha Khan Foundation. Non-execution of lease agreements and non-observance of the policy reflects negligence of the management which resulted in a loss of Rs. 4.810 million to the Authority up-to March, 2002.

The PAO informed the committee that it was a procedural matter. An agreement will be signed between Agha Khan Foundation and CAA soon.

PAC DIRECTIVE

The Committee settled the para subject to verification of agreement with Agha Khan Foundation by the Audit.

6. **PARA 2.2,AUDIT REPORT 2002-03**
SPLITTING-UP AND IRREGULAR AWARD OF WORK OF RS. 2.995 MILLION
IN VIOLATION OF PROCEDURE

Audit pointed out that para-14 (d&e) of Civil Aviation Authority order's No. 4-2 (Revised) dated 31st December, 2000 provides that tenders for the work/supply valuing more than Rs. 10,000 and upto Rs. 1.50 million must be invited through a notice displayed on notice board and for works/supply more than Rs. 1.5 million tenders must be invited through press in English and Urdu.

The PAO informed the Committee that the matter has already been taken up with the Finance Division for regularization but refused by the Finance Division. He assured the Committee that this irregularity should be condoned from the Board of Director.

PAC DIRECTIVE

The Committee directed the PAO to get it regularized from the Board of Director of Civil Aviation Authority under intimation to PAC Secretariat.

7. i) **PARA 1.5,AUDIT REPORT 2002-03**
NON-RECOVERY OF EMBARKATION FEE RS. 6.362 MILLION
- ii) **PARA 2.3,AUDIT REPORT 2002-03**
IRREGULAR MODE OF MEASUREMENT INVOLVING EXPENDITURE
OF RS. 1.502 MILLION
- iii) **PARA 2.4,AUDIT REPORT 2002-03**
LOSS OF RS. 451,568 DUE TO NON-ACCOUNTAL OF 2672 LITRES
RUNWAY RUBBER REMOVING CHEMICAL

PAC DIRECTIVE

The Committee settled the above mentioned three paras on the recommendation of DAC.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

8. **PARA-36, PAGE-53 (ARPSE-2002-03)**
PAYMENT OF BONUS TO DAILY-WAGERS AMOUNTING TO RS. 22.606
MILLION

Audit pointed out that PIAC Management paid an amount of Rs. 22.606 million to daily-wagers on account of bonus and production incentive with the approval of Managing Director. As per Finance Division (Regulation Wing) O.M dated

November 30, 2001, no payment of bonus should be made to the employers without approval of the Finance Division (Regulation Wing).

The PAO informed the Committee that there was no bad intention in the whole process. The bonus was given one time and approved by the Board of CAA.

PAC DIRECTIVE

The Committee settled the para with the displeasure for giving bonus to third party employees and directed the department to avoid this practice in future.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

9. **PARA-37, PAGE-53 (ARPSE-2002-03)**
NON-RECOVERY OF RS. 7.104 MILLION FROM DUTY FREE SHOPS

Audit pointed out that in PIAC an amount of US\$ 108,114 was outstanding against M/s. Duty Free Shops Limited (DFSL) since 1991 and 1994 for the purchase of different items for Duty Free Shop. As the DFSL had been privatized and these remained no more the subsidiaries of PIAC, the chances of recovery of US\$ 108,114 are remote.

The PAO informed the Committee that the matter is subjudice in the court of law.

PAC DIRECTIVE

The Committee pended the para due to subjudice in nature. The Committee directed the PAO to pursue the case in Court of Law vigorously.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

10. **PARA-38, PAGE-54 (ARPSE-2002-03)**
NON RECOVERY OF RS. 27.033 MILLION FROM DEFAULTING AGENT

Audit pointed out that M/s. Euro Travel Limited Lahore was declared defaulter by PIAC with an amount of Rs. 27.033 million outstanding against a bank guarantee of Rs. 9.30 million which was not encashed due to court's order. The issue of tickets amounting to Rs. 27.033 million against bank guarantee of Rs. 9.30 million by ignoring the relevant rules and regulations depicted failure of internal controls. It gave undue favour to the defaulting agent resulting in a loss of Rs. 27.033 million.

The PAO informed the Committee that Rs. 9.3 million has been recovered and the case is with the NAB for the recovery of remaining amount. The representative of the NAB informed that it was an old and closed case and now the department may write for its re-opening. The PAO apprised the committee

that the Ministry has written a letter to the NAB on 24th May, 2016 informing them that the Supreme Court of Pakistan has vacated the Stay order.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to contact the NAB for the reopening of case under intimation to PAC.

11. i) **PARA-46,AUDIT REPORT 2002-03**
AUDIT COMMENTS
- ii) **PARA-46.1,AUDIT REPORT 2002-03**
AUDIT COMMENTS
- iii) **PARA-46.2,AUDIT REPORT 2002-03**
AUDIT COMMENTS
- iv) **PARA-46.3,AUDIT REPORT 2002-03**
AUDIT COMMENTS
- v) **PARA-46.4,AUDIT REPORT 2002-03**
AUDIT COMMENTS
- vi) **PARA-46.5,AUDIT REPORT 2002-03**
AUDIT COMMENTS
- vii) **PARA-46.6,AUDIT REPORT 2002-03**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above mentioned seven paras with the direction to PAO to make efforts for the improvement of financial position/system of the PIA hotels.

12. i) **PARA-39,AUDIT REPORT 2002-03**
AUDIT COMMENTS
- ii) **PARA-40,AUDIT REPORT 2002-03**
AUDIT COMMENTS
- iii) **PARA-40.1,AUDIT REPORT 2002-03**
AUDIT COMMENTS

- iv) PARA-40.2,AUDIT REPORT 2002-03
AUDIT COMMENTS
- v) PARA-40.3,AUDIT REPORT 2002-03
AUDIT COMMENTS
- vi) PARA-40.4,AUDIT REPORT 2002-03
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above mentioned six paras for pursuance at DAC level.

- 13. i) PARA-34,AUDIT REPORT 2002-03
AUDIT COMMENTS
- ii) PARA-35,AUDIT REPORT 2002-03
AUDIT COMMENTS
- iii) PARA-35.1,AUDIT REPORT 2002-03
AUDIT COMMENTS
- iv) PARA-35.2,AUDIT REPORT 2002-03
AUDIT COMMENTS
- v) PARA-35.3,AUDIT REPORT 2002-03
AUDIT COMMENTS
- vi) PARA-35.4,AUDIT REPORT 2002-03
AUDIT COMMENTS
- vii) PARA-41 ,AUDIT REPORT 2002-03
AUDIT COMMENTS
- viii) PARA-42,AUDIT REPORT 2002-03
AUDIT COMMENTS
- ix) PARA-42.1,AUDIT REPORT 2002-03
AUDIT COMMENTS
- x) PARA-42.2,AUDIT REPORT 2002-03
AUDIT COMMENTS
- xi) PARA-43 ,AUDIT REPORT 2002-03
AUDIT COMMENTS

- xii) PARA-44,AUDIT REPORT 2002-03
AUDIT COMMENTS
- xiii) PARA-44.1,AUDIT REPORT 2002-03
AUDIT COMMENTS
- xiv) PARA-44.2,AUDIT REPORT 2002-03
AUDIT COMMENTS
- xv) PARA-45 ,AUDIT REPORT 2002-03
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above mentioned fifteen (15) paras for settlement on the recommendation of DAC.

BOARD OF INVESTMENT

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Board of Investment was examined by the PAC on 28th March,2017.

- 01 grant was presented by the Audit Department which was examined and settled by the Committee.

BOARD OF INVESTMENT

ACTIONABLE POINTS

Actionable Points arising out from the discussions of the PAC meeting held on 28th March, 2017 while examining the Appropriation Accounts for the year 2002-03 pertaining to Board of Investment are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1. **GRANT NO.68-BOARD OF INVESTMENT**
(SAVING OF RS. 26,028,296)

AGPR pointed out that the grant closed with a saving of Rs. 26,028,296 which worked out to 33.17 percent of the total grant.

The PAO explained to the Committee that saving was occurred due to non completion of codal formalities under the various heads of commodities to less expenditure than anticipated.

PAC DIRECTIVE

The Committee regularized the saving of the grant.

CABINET DIVISION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Cabinet Division was examined by the PAC on 28th July, 2011 & 14th April, 2016.

- 08 grants and 22 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 7 grants 4 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.
- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 28th July, 2011, has also been made part of the report.

CABINET DIVISION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 28th July, 2011 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2002-03 pertaining to Cabinet Division are given below:

APPROPRIATION ACCOUNTS OF CIVIL VOL-I 2002-03

1. **GRANT NO. 1-CABINET**
SAVING OF RS. 233,501/-

AGPR pointed out that the grant closed with a saving of Rs. 233,501 which worked out to 0.76 percent of the total grant.

The PAO informed the Committee that due to less claims on account of pay of Federal Minister/Minister of State submitted by Ministries/Division's than anticipated and Pakistan Mission abroad raised the hotel charges of Interior Minister in the account of June 2003 (Final).

PAC DIRECTIVE

The Committee observed that the entire saving should be surrendered in time. The Committee recommended the grant for regularization.

2. **GRANT NO. 2-CABINET DIVISION**
SAVING OF RS. 6,838,110

AGPR pointed out that the grant closed with a saving of Rs. 6,838,110 (0.59 percent of the grant). An amount of Rs. 6,486,403 (0.56%) was surrendered leaving net saving to Rs. 351,707 (0.03%).

The PAO informed the Committee that the saving was due to the following reasons:-

- i) Saving in respect of three spending units (Main Sectt. CPC and NDC).
- ii) Due to mistake in calculation of final grant.
- iii) Due to less expenditure than anticipated.

PAC DIRECTIVE

The Committee observed that the entire saving should be surrendered in time. The Committee recommended the grant for regularization.

3. GRANT NO. 3-EMERGENCY RELIEF AND REPATRIATION
SAVING OF RS. 3,677,176

AGPR pointed out that the grant closed with an Saving of Rs. 3,677,176 (0.88 % of the grant). An amount of Rs. 2,045,219 (0.49) was surrendered leaving net saving to Rs.1, 631,957 (0.39%).

The PAO informed the Committee that the remaining was taken the repair of Warehouse has not been carried out by CDA and saving on the part of 6-Avn. Sqn was due to less debit raised by CMA (RC) as retained at the time of final review of budget by C.O.6-Avn. Sqn.

PAC DIRECTIVE

The Committee observed that the entire saving should be surrendered in time. The Committee recommended the grant for regularization.

4. GRANT NO. 4-LAND REFORMS
SAVING OF RS. 78,919

AGPR pointed out that the grant closed with a saving of Rs. 78,919 (0.63% of the grant). An amount of Rs. 41,300 (0.33%) was surrendered leaving net saving to Rs. 37,619 (0.30%).

PAC DIRECTIVE

The Committee observed that the entire saving should be surrendered in time. The Committee recommended the grant for regularization.

5. GRANT NO. 05-OTHER EXPENDITURE OF CABINET DIVISION
SAVING OF RS. 1,194,169

AGPR pointed out that the grant closed with a saving of Rs. 1,194,169 (0.66 % of the grant). An amount of Rs. 805,000 (0.44%) was surrendered leaving net saving to Rs. 389,169 (0.21%).

The PAO informed the Committee that less expenditure incurred on overtime and medical charges than anticipated. Funds retained for purchase of Computers but the proposal for purchase could not be finalized within the financial year.

PAC DIRECTIVE

The Committee observed that the entire saving should be surrendered in time. The Committee recommended the grant for regularization.

6. **GRANT NO. 14-STATIONARY & PRINTING**
SAVING OF RS. 28,997,260

AGPR pointed out that the grant closed with a saving of Rs. 28,997,260 (52.16 % of the grant). An amount of Rs. 31,042,258 (55.84%) was surrendered resulting into an excess to Rs. 2,044,998 (3.67%).

The PAO informed the Committee that the excess occurred due to excessive surrender order due miss-calculation by the department.

PAC DIRECTIVE

The Committee noted that excess expenditure had been incurred which indicated faulty estimation of actual requirement. It recommended regularization of the grant with the direction that action should be taken by the Ministry to strengthen its internal financial budgetary and monitoring systems; so as to ensure accurate estimates of expenditure and full utilization of funds without excess / saving in future.

7. **GRANT NO. 116-CAPITAL OUTLAY ON LAND REFORMS**
SAVING/ EXCESS: NIL

PAC DIRECTIVE

The Committee recommended regularization of the grant as the Budgetary Provision had been fully utilized.

8. **GRANT NO. 119-DEVELOPMENT EXPENDITURE OF CABINET DIVISION**
SAVING (-) RS. 113,308,000/-

The grant closed with a saving of Rs. 113,308,000/- which is out to 82.93% of the total grant.

PAC DIRECTIVE

The Committee recommended regularization of the grant as the Budgetary Provision had been fully utilized.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03

PRINTING CORPORATION OF PAKISTAN

9. **PARA 5.6 (PAGE 19-ARPSE) 2002-03**
AUDIT COMMENTS

Audit pointed out that provisions for damage/decline in value of stock to the tune of Rs.12.953 million during the year 2001-02 and Rs. 14.064 million in 2000-01 were made for white mechanical paper purchased in 1995-96 which was be utilized to date.

The PAO explained that the sales of Mechanical Paper could not be made due to low rates offered in response to first tender enquiry. Therefore, store was re-advertised and tender was opened on 27-1-2005. Offers received were conditional and against the terms and conditions of tender enquiry hence were rejected. The committee again recommended to call fresh tenders after approval of the Secretary Cabinet Division/Chairman, PCP. The decision of evaluation Committee dated 31-4-2007 has been conveyed to MD, PCP for implementation on 14-5-2007.

PAC DIRECTIVE

The Committee remanded the Para for reconsideration by the DAC and directed the MD PCP to first convene a meeting of the Board of Directors as early as possible in order to present this matter before the Board. So far as the responsibility of embezzlement is concerned as explained by the MD PCP action has been taken and the punishment has been awarded by the Court. The Committee directed the PAO to put up a report on this Para after the Board meeting within two months.

CABINET DIVISION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 14th April, 2016 while examining Audit Reports/Special Audit Reports for the year 2002-03 pertaining to Cabinet Division are given below:

CABINET DIVISION

AUDIT REPORT PUBLIC SECTOR ENTERPRISES

PRINTING CORPORATION OF PAKISTAN (PCP)

1. **PARA-5.6,PAGE-19 ARPSE -2002-03**
AUDIT COMMENTS

Audit pointed out that Provisions for damage/decline in value of stock to the tune of Rs. 12.953 million during year 2001-2002 and Rs. 14.064 million in 2000-2001 were made for white mechanical paper purchased in 1995-96, which could not be utilized to date. DAC in its meeting held on 12.07.2004 advised PCP to place a proposal for sale of paper before board.

PAO informed that officer responsible for embezzlement has been convicted for seven years punishment.

PAC DIRECTIVE

The Committee settled the Para.

PAKISTAN TOURISM DEVELOPMENT CORPORATION LIMITED (PTDC)

2. **PARA-175& 175.1,PAGE 204 ARPSE-2002-03**
AUDIT COMMENTS

Audit pointed out that the Corporation came out of operational loss during 2001-2002 and the operating profit increased from Rs. 2.099 million in 2001-2002 to Rs. 4.880 million in 2002-2003 yet the loss before taxation increased by 94.92% from Rs. 9.255 million in 2001-2002 to Rs. 18.040 million in 2002-2003. This was due to abnormally high head office expenses.

PAO informed that best efforts are being made by the management to make the corporation profitable. The PAO while responding to the query raised by the honorable Convener informed that the hotels/ assets of the PTDC located in different provinces which have not been handed over to the provinces so far due to various reasons.

PAC DIRECTIVE

The Committee settled the para, however expressed its concern over the statement of PAO and termed it violation of the Constitution as to why they said properties have not been transferred to the provinces after the 18th Constitutional Amendment. The Committee directed the PAO to seek legal opinion of Ministry of Law as to how the Federal Government can retain the properties pertaining to the devolved Ministries and report thereof be sent to the Committee within thirty days. The Committee also directed the representative of Ministry of Law to coordinate with the Cabinet Division in this regard.

3. PARA-175.3,PAGE 205 ARPSE-2002-03 AUDIT COMMENTS

Audit pointed out that the Corporation was heavily dependent upon government grants for revenue and capital expenditure. Deposit for shares represented grants from Government of Pakistan for capital expenditure on specified projects. These grants were to be applied for issuance of shares to the government. To date, no shares were issued against these grants.

PAO informed that the process has been kept pending due to devolution process. Moreover the case has also been referred to Cabinet Committee on Restructuring (CCOR) about the fate of PTDC. Appropriate action will be taken as and when the committee reached at a decision.

PAC DIRECTIVE

The Committee settled the Para.

4. PARA-176,PAGE 207 ARPSE-2002-03 PAYMENT OF RS. 83,163 ON ACCOUNT OF TELEPHONE, P.O.L AND UTILITY BILLS TO EX-MANAGING DIRECTOR, BEYOND ENTITLEMENT

Audit pointed out that the utility bills of residence of the Managing Director were entertained beyond his ceiling by charging the difference in amount to his personal account without obtaining the consent of the officer concerned. Resultantly, over paid amount charged to his personal account piled up to Rs 83,163. The services of the officer were terminated in June, 2000 and overpaid sum could not be recovered.

PAO informed the Committee that the court of senior civil judge, Islamabad has given the ex-parte decree in favor of PTDC vide judgment dated 20.12.2010. The PAO ensured that the amount will be recovered shortly.

PAC DIRECTIVE

The Committee settled the Para subject to verification of record of recovery by the Audit.

5.
 - i. **PARA-174,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - ii. **PARA-175.2,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - iii. **PARA-175.4,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - iv. **PARA-175.5,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - v. **PARA-175.6,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - vi. **PTDC MOTELS NORTH (PRIVATE) LIMITED
PARA-175.7,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - vii. **PARA-175.8,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - viii. **PARA-179,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - ix. **PAKISTAN TOURS (PVT) LIMITED
PARA-180&180.1,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - x. **PARA-180.2,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - xi. **PARA-180.3,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - xii. **PARA-181,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**
 - xiii. **PARA-182,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS**

xiv. PARA-182.1,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS

xv. PARA-182.2,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS

xvi. PARA-182.3,PAGE 207 ARPSE-2002-03
AUDIT COMMENTS

AUDIT REPORT TELECOMMUNICATION SECTOR 2002-03

FREQUENCY ALLOCATION BOARD (FAB)
xvii. PARA-3.3,4 PAGE 19AR-2002-03
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above 18 Paras on the recommendation of DAC.

CAPITAL ADMINISTRATION AND DEVELOPEMNT DIVISION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Capital Administration and Development Division was examined by the PAC on 30th May, 2016.

- 14 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 11 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.
- In one para the PAO was directed to refer the case to NAB for investigation.

CAPITAL ADMINISTRATION AND DEVELOPEMMENT DIVISION
ACTIONABLE POINTS

Actionable Points arising out of the discussion during meeting of PAC held on 30th May, 2016 while examining Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Capital Administration and Development Division are given below:-

1. **PARA-1.1, PAGE-11-12 (2002-03)**
OVERPAYMENT OF RS. 17.185 MILLION DUE TO NON-DEDUCTION OF FILLING COMPONENT FROM EARTH EXCAVATION RATE

Audit informed that consolidated rate of Rs.147.23 per hundred cubic feet (%cft) using Pakistan public works Department Schedule of Rates, 1991 for the item "Excavation or cutting in road alignment" states; a component of "earth filling in road embankment" is included @ Rs.65 per hundredcft (% cft) in the original rate".

While making payment to the contractor, for excavation or cutting in road alignment various Divisions of the Authority paid full rate for the excavation and filling of earth in the road embankment, whereas filling component was not executed; and hence payment for that component was to be deducted. Non-education of filling component from composite rate resulted in over payment of Rs.17.185 million to the contractors of fifteen works.

It was brought to the notice of Committee that on 14-04-2016 in a DAC meeting the para was referred to Pak. PWD to seek their technical advice.

The PAO informed the committee that the opinion of PWD is still awaited and the Ministry is pursuing for it.

PAC DIRECTIVE

The Committee referred the para to the DAC with the direction to resolve the issue within thirty days under intimation to PAC.

2. **PARA-2.1 PAGE-16(2002-03)**
LOSS OF RS. 4.791 MILLION DUE TO NON-RECOVERY OF DELAYED PAYMENT CHARGES AND EXTENSION SURCHARGE

Audit pointed out that the clause no.9 and 11 of the terms and conditions of allotment state; "delayed payment charges will be levied at the rate of 14.72% per annum (or as may be revised/levied from time to time) on all types of delayed payments" and "extension surcharge on account of non-completion of construction within stipulated period will be charged at the rate prescribed by the Authority at that time if the same is allowed". Audit further stated that Capital Development Authority, Islamabad could not recover the delayed payment

charges of Rs. 2.287 million and extension surcharge of Rs. 2.504 million from two allottees who had taken the possession and could not construct buildings on these two plots within prescribed time limit. This resulted in a loss of Rs. 4.791 million to the authority.

The PAO informed that Member Estate CDA exempted delayed payment and extension charges due to non-provision of basic infrastructure to the allottees.

PAC DIRECTIVE

The Committee settled the para for settlement.

3. PARA-2.2 PAGE-17(2002-03) LOSS OF RS. 2.114 MILLION DUE TO NEGLIGENCE

The Audit informed that clause No.22 of the Auction Brochure February 1998 for auction of commercial plots states; "if allottee fails to deposit premium of plot or desire to surrender his allotment, 10% deduction will be made on the total bid price of plot".

Estate management-II, Capital Development Authority refunded the deposited amount after deducting 10% of Rs. 704,733 on deposited amount of Rs. 7,047,331 instead recovery of Rs. 2,818,932 as 10% of total bid cost of plot of Rs. 28,189,236. The management did not apply the related clause of Auction Brochure. This resulted in less recovery/ loss of Rs. 2.114 million.

The PAO informed the committee that the ministry has initiated an inquiry for both the cases and will bring the facts before the committee after completion the inquiry.

PAC DIRECTIVE

The Committee referred the para to NAB for investigation for the alleged allotment of Plot No.20, Economy Flats, F-11/1 Islamabad. The Committee also directed the PAO to submit its inquiry report to the committee on the issue of plot of G-11, Islamabad within 30 days.

4. PARA-3.1 PAGE-18-19 (2002-03) IRREGULAR EXPENDITURE OF RS. 124.514 MILLION

Audit pointed out that the Rule-5 (vi) and 42 of Capital Development Authority (CDA) Procedure Manual Part-II state; "an individual item should not be split up into parts merely to enable a part of whole item to qualify for particular sanction" and "it is contrary to the interest of the Authority that money should be spent hastily or in ill-considered manner merely because it is available or that the lapse of a grant could be avoided". Similarly, General Financial rules Volume-I,

Appendix-2 states; the purchase orders should not be split up into small slabs so as to avoid the necessity for obtaining the sanction of higher competent authority". Various formations of the Capital Development Authority spent money hastily by calling quotations/work orders, by awarding similar nature of works to the same contractor on the same dates and by purchasing various electric items through piecemeal quotations, keeping the amount of each quotation/work/supply orders below Rs. 10,000 to avoid approval of the higher authority and to avoid competitive/open tenders. Non-observance of the prescribed procedures resulted into irregular expenditure of Rs.124.514 million.

The PAO informed that the said expenditure was incurred through quotation and the relevant record is available for verification.

PAC DIRECTIVE

The Committee directed the PAO to get the para regularized from the Board of Directors CDA under intimation to PAC.

5. PARA-4.1 PAGE-21 (2002-03) EXCESS EXPENDITURE OF RS. 4.462 MILLION

Audit pointed out that the according to Item No.3 of bill of quantities/agreement of the work, Construction of 2nd Carriage Way of Islamabad Highway from Gumrah Bridge to G.T. Road Rawat, the item "Cutting of hard rock to required level including disposal/filling the excavated stuff with all lead and lift" was payable @ Rs. 133.87 per cubic meter. Road Division-III, Capital Development Authority, Islamabad separately paid Rs.4.462 million for cartage of a quantity of 185.967 cubic meter rock obtained from road way excavation. The separate/additional carriage charges paid for using the stone in road embankment with different leads was not justified.

The PAO informed the committee that the Ministry has recovered the amount and relevant record is available for verification by the Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovery by the Audit.

6. PARA-5.1 PAGE-31-32 (2002-03) RECOVERY OF RS. 170.219 MILLION DUE TO LONG OUTSTANDING HIRE CHARGES

Audit pointed out that para 401 of Capital Development Authority Procedural Manual Part III states; "estimated cost of job must be deposited in advance by the party concerned with the machinery pool organization either in shape of special cheque or otherwise".

Machinery Pool Organization (Operation) hired out machinery to various Division of Capital Development Authority without receipt of funds in advance and did not recover the hire charges even after a period of 5 to 10 years.

The PAO informed the Committee the recovery has been verified by the Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovery by the Audit.

7. i) **PARA-1.2 PAGE-12-13 (2002-03)**
LOSS OF RS. 7.200 MILLION DUE TO PAYMENT OF SUPERVISION CONSULTANCY WITHOUT PROVISION IN PC-I
- ii) **PARA-1.3 PAGE-13 (2002-03)**
NON-RECOVERY OF SECURED ADVANCE OF RS. 6.121 MILLION
- iii) **PARA-1.4 PAGE-14 (2002-03)**
NON-VERIFIED CONSUMPTION OF CRUSHED STONE WORTH RS. 483, 584
- iv) **PARA-1.5 PAGE-15 (2002-03)**
OVERPAYMENT OF RS. 434, 881 DUE TO SEPARATE PAYMENT OF SITE CLEARANCE
- v) **PARA-3.2 PAGE-19-20 (2002-03)**
LOSS OF RS. 882,274 DUE TO NON-AWARDING OF WORK WITHIN VALIDITY PERIOD
- vi) **PARA-4.2 PAGE-21-22 (2002-03)**
LOSS OF RS. 695,797 DUE TO DISMANTLING OF PILE CAP AFTER CONSTRUCTION
- vii) **PARA-5.2 PAGE-32-33 (2002-03)**
UNAUTHORIZED ISSUANCE OF BITUMEN PREMIX AND NON RECOVERY OF ITS COST OF RS. 4.977 (M)
- viii) **PARA-6.1 PAGE-34 (2002-03)**
LOSS OF RS. 2.509 MILLION DUE TO RECOVERY OF LIGHT DIESEL OIL (LDO) AT LESSER RATE

PAC DIRECTIVE

The Committee settled the above mentioned eight paras for settlement on the recommendation of DAC.

M/O CLIMATE CHANGE DIVISION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Climate Change Division was examined by the PAC on 28th March, 2017.

- 04 grants and 6 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 04 grants and 03 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.
- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O CLIMATE CHANGE

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 28th March, 2017 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Climate Change are given below:-

1. i) **GRANT NO.32-M/O CLIMATE CHANGE (ENVIRONMENT, LOCAL GOVERNMENT AND RURAL DEVELOPMENT DIVISION)**
(SAVING OF RS. 14,378,068)

AGPR pointed out that the grant closed with a saving of Rs. 14,378,068 which worked out to 11.30 percent of the total grant.

ii) **GRANT NO. 33- FOREST**
(SAVING RS. 9,327,101)

AGPR pointed out that the grant closed with a saving of Rs. 9,327,101 which worked out to 17.59 percent of the total grant.

iii) **GRANT NO. 34- ZOOLOGICAL SURVEY DEPARTMENT**
(SAVING RS. 2,024,197)

AGPR pointed out that the grant closed with a saving of Rs. 2,024,197 which worked out to 27.69 percent of the total grant.

iv) **GRANT NO. 127- DEVELOPMENT EXPENDITURE OF ENVIRONMENT, LOCAL GOVERNMENT AND RURAL DEVELOPMENT DIVISION**
(SAVING RS. 1,351,662,471)

AGPR pointed out that the grant closed with a saving of Rs. 1,351,662,471 which worked out to 52.07 percent of the total grant.

PAC DIRECTIVE

The Committee settled the above four (04) grants.

**AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR
2002-03**

M/O CLIMATE CHANGE

**2. PARA 49, ARPSE 2002-03
EXPENDITURE OF RS 1.243 MILLION ON ACCOUNT OF EMPLOYMENT ON
CONTRACT BASIS**

Audit pointed out that as per instructions issued by the Establishment Division vide memo No 8/5/1992-R.7 dated January 2, 1992. No. 1/97-RW/IV dated August 4, 1999 and No 6/2/2000-R.3 dated May 6, 2000 and policy guidelines for recruitment of employees both regular and on contract basis, the appointments were to be made on merit after advertisement in the press. In contravention of above instructions, PEPAC Lahore appointed six employees on contract basis during the period from November 1998 to January 2002 on submission of application and interview without any advertisement. Their tenure was being extended continuously and an amount of Rs. 1.243 million was paid to them upto April, 2002.

The Principle Accounting Officer (PAO) explained to the Committee that temporary appointments were made for the short time to complete certain assignments as per nature of business of the company and overcome business loss. An authorization in this regard was given in 73rd BOD meeting dated 22.07.1999.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to constitute Board of Director (BOD) as per requirement of law, immediately. The Committee further directed the PAO to hold inquiry to pin point the culprits and report thereof be placed before the Board for an appropriate decision of the case with a report to PAC/Audit.

- 3. i) PARA 47 & 48, ARPSE 2002-03
PAKISTAN ENVIRONMENTAL PLANNING AND ARCHITECTURAL
CONSULTANTS (PVT) LIMITED**
- ii) PARA 48.4, ARPSE 2002-03
PAKISTAN ENVIRONMENTAL PLANNING AND ARCHITECTURAL
CONSULTANTS (PVT) LIMITED**

PAC DIRECTIVE

The Committee directed the PAO to consider the above- two (02) paras at DAC level to implement the recommendations of DAC.

4. i) PARA 48.1, ARPSE 2002-03
PAKISTAN ENVIRONMENTAL PLANNING AND ARCHITECTURAL
CONSULTANTS (PVT) LIMITED
- ii) PARA 48.2, ARPSE 2002-03
PAKISTAN ENVIRONMENTAL PLANNING AND ARCHITECTURAL
CONSULTANTS (PVT) LIMITED
- iii) PARA 48.3, ARPSE 2002-03
PAKISTAN ENVIRONMENTAL PLANNING AND ARCHITECTURAL
CONSULTANTS (PVT) LIMITED

PAC DIRECTIVE

On presentation of the above three (03) paras, the Committee settled the paras.

M/O COMMERCE & TEXTILE

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Commerce was examined by the PAC on 18th July, 2011, 20th April, 2016 and 28th March, 2017.

- 03 grants and 46 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 03 grants and 40 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- It is pointed out that the business of the Ministry which was examined by the Special Committee of 13th PAC in its meeting held on 18th July, 2011, has also been made part of the report.

M/O COMMERCE & TEXTILE

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 18th July, 2011 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Commerce & Textile are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2002-03

1. i) **GRANT NO. 15 – COMMERCE DIVISION**
SAVING OF RS.28,973,951

AGPR pointed out that the grant closed with a saving of Rs.28,973,951 which worked out to 2.54 percent of the total grant. An amount of Rs.3,990,000 (0.35%) was surrendered leaving net saving of Rs.24,983,951 (2.19%).

ii) **GRANT NO. 16 – EXPORT PROMOTION**
SAVING OF RS.82,959,959

AGPR pointed out that the grant closed with a saving of Rs.82,959,959 which worked out to 9.92 percent of the total grant. An amount of Rs.133,658,188 (16%) was surrendered resulting into an excess of Rs.50,698,188 (6.07%).

The PAO informed the Committee that a surrender order of Rs.59,055,000 dated 12-05-2003 erroneously issued by the EPB. On realization of mistake, all copies of the order were withdrawn from R&I Section of EPB, placed in file and cancelled. But, one got faxed to the AGPR in haste. The AGPR incorporated it and this caused the excess of Rs.50,698,229. After excluding the surrender order of Rs.59,055,000 the net saving comes to Rs.8,356,771(1.00%).

iii) **GRANT NO. 121 – DEVELOPMENT EXPENDITURE OF COMMERCE**
DIVISION
SAVING OF RS.37,738,251

AGPR pointed out that the grant closed with a saving of Rs.37,738,251 which worked out to 37.63 percent of the total grant. An amount of Rs.25,038,851 (24.97%) was surrendered leaving net saving of Rs.12,699,400 (12.66%).

PAC DIRECTIVE

The Committee recommended regularization of the above three grants with the observation that every effort should be made to surrender all savings before the prescribed date.

AUDIT REPORT ON THE ACCOUNT OF MINISTRY OF FOREIGN AFFAIRS FOR THE YEAR 2002-03 AND 2003-04

2. i) **AUDIT PARA # 3.1-PAGE-59-AR-2002-03
EXCESS OVER BUDGET RS. 10.198 MILLION**
- ii) **AUDIT PARA # 2.1-PAGE-59-AR-2003-04
UNAUTHORIZED DRAWAL OF DAILY ALLOWANCE FOR 15 DAYS
AMOUNTING TO US\$ 6,025 (RS. 351,077)**

PAC DIRECTIVE

The Committee settled the above paras on the recommendation of the DAC.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03

3. **STATE LIFE INSURANCE CORPORATION OF PAKISTAN
PARA-12 PAGE 28-AR-2002-03
PAYMENT OF BONUS AMOUNTING TO RS. 17.851 MILLION TO OFFICERS
AND EXECUTIVES AGAINST THE INSTRUCTIONS OF THE FINANCE
DIVISION**

Audit pointed out that in State Life Insurance Corporation (PO) Karachi and in its Zonal Office Karachi Eastern Zone, Rs. 15.206 million and Rs. 2.645 million respectively were paid as bonus to officers and executives of the Corporation for the years 2000 and 2001 in violation of the standing instructions as contained in Finance Division Government of Pakistan Memo No.F-3 (5)/R-12/ 80-436 dated December 29, 1980. The reply of the management needs to be reconfirmed from the Finance Division, Government of Pakistan in the light of their memo dated December 29,1980 referred to above. The matter was reported again to the management/ Ministry on September 4, 2003 and October 8,2003.

The PAO informed the Committee that the Management of Sate life has introduced a scheme for performance I based bonuses linked with the operational profitability of the Corporation. The Board of Directors of the Corporation in its 161st meeting held on 29-06-2001 decided that the officer's bonuses would be performance linked. The following Parameters were fixed for award of Performance Based Bonus to officer:-

1. Real growth (net of inflation) in first year premium (FYP).
2. Ratio of FYP through newly recruited active Sales Representative.
3. Regularity of new business throughout the year by fixing quarterly business quota.
4. Second year premium persistency.
5. Third and later year persistence.
6. Reduction in renewal expense Ratio.
7. Mortality under early death claim within actuarial expectation.
8. Reduction in suspense.

The implementation of performance based bonuses scheme has proved productive as there has been notable growth in the business of the Corporation. A letter dated 12-11-2004 was written to the Joint Secretary (Insurance).Ministry of Commerce Government of Pakistan for Ex-Post Facto approval of performance Based Bonuses paid to Officer of the Corporation for the year 1990 to subsequent reminders dated 23-12-2004 and 16-02-2005 were also sent to Ministry of Commerce.

PAC DIRECTIVE

The Committee directed the PAO to put up a report on this systemic issue with special reference to this Para whether Finance Division's rules over-ride the decisions of the Board of Directors. This issue would then be put up before the main PAC for consideration. A report has to be submitted to the Committee within one month.

4. PARA-13, PAGE 29-AR-2002-03 LOSS OF RS. 10.024 MILLION DUE TO MISAPPROPRIATION BY AN EMPLOYEE

Audit pointed out that in State Life Insurance Corporation, Vehari Zone an Accountant was charge sheeted on September 10, 1996 on account of misconduct and misappropriation of Rs. 10.024 million which was committed during the year 1995-96. The Enquiry Committee pointed out that out of 11 allegations served to the employee, 10 allegations proved correct against him. The employee was found guilty of mis-conduct and accordingly dismissed from service on March 26,2002 without payment of any compensation. No recovery of embezzled amount was affected. Thus, the Corporation sustained a loss of Rs. 10.024 million due to weak internal controls. The Corporation has, however, filed a civil suit before the Civil Judge Vehari in December 1998 for recovery of Rs. 10.024 million.

The PAO informed the Committee that on the basis of fresh enquiry, Mian Abdul Majeed was awarded punishment of reduction to a lower grade form. Assistant General Manager to Manager dated 02-03-2001 and Mr. Siddique Akber was exonerated dated 02-03-2001.Mian Abdul Majeedretird at the age of

superannuation on 12-03-2001. Mr Azhar Abbas appealed before FST which set aside the order of dismissal dated 08-05-1997 and remanded the case for denovo proceedings while taking him back into service from the date of order judgment dated 20-06-2001.As per order of FST he was found guilty and accordingly dismissed from service on 26.03.2002 and ordered for recovery of whole amount of loss sustained by the Corporation as a result his misconduct. A Civil Suit for recovery of Rs.10,024,878 was also filed against Mian Abdul Majeed and Mr. Azhar Abbas before the Senior Civil Judge ,Vehari. The next date of hearing of the case is fixed on 23.06.2005.Case was also referred to FIA vide FIR No.1/99 and 30/99 FIA collected the evidences and after concluding the enquiry submitted the case in the Court of Special Judge,Multan.

PAC DIRECTIVE

The Committee directed the PAO to pursue the case more vigorously with FIA and asked to submit a progress report of the case within one month.

5. PARA-14 (PAGE 29-AR-2002-03) IRREGULAR WITHDRAWAL OF RS. 10 MILLION BY PROCESSING DEATH CLAIMS

Audit pointed out that in former Western Zone, Karachi of State Life Insurance Corporation an embezzlement of Rs. 10 million was committed by processing 102 bogus death claims during the period from April 25, 1997 to November 3,1999. This was an organized fraud committed by some employees of Corporation for several years. Resultantly, the Corporation sustained a loss of Rs. 10 million due to gross negligence and loose internal controls.

The PAO informed the Committee that the first complaint of bogus death claim in G&P (Ex-Western Zone) Karachi was received on 16-11-1999 and a few more cases detected as such number of inquires were conducted from time to time mainly to trace out culprits and fix the responsibility on the persons at fault. Finally Mr. Jawaid Akhtar, senior officer of the Corporation was appointed as Enquiry officer on 11-10-2000.The scope of enquiry was widened and 102 claim payment cases detected bogus were also included in the terms of reference of enquiry entrusted to Mr.Jawaid Akhtar who conducted a very comprehensive and thorough enquiry and submitted his report on 22-01-2002.

On the basis of enquiry report of Mr. Jawaid Akhtar punishments to the following Officials were awarded as detailed below:-

- i. Dr.Shafqat Qamar Ex-Dy. Manager claims was awarded the punishment of dismissal and recovery of loss (he was dismissed earlier in this case).
- ii. Mr. Shadab Ahmed Rizvi JOA (B&A).G&P.EX- Western Zone was awarded the punishment of dismissal and recovery of loss.

- iii. Mr. Nazimuddin, JOA claim Ex-Western Zone was awarded the punishment of forfeiture of his dues payable under Voluntary Retirement and Separation Scheme of the Corporation.
- iv. Mr. Mushtaq Ahmed Manager (B&A), was awarded the punishment of Censure.

The matter was handed over to FIA by the Corporation. The Director (I&I), NAB called for original documents of the enquiry conducted by Mr. Jawaid Akhtar. The requisite record information was provided to him dated 30-05-2002. The case has been registered by F.I.A in the Special Court (Offences in Banks) at Karachi. The proceedings of the case are in progress. Remedial measures to avoid such recurrence in future.

All the G&P Zones have been asked have written and descriptions of their employees for proper assignment, responsibility and authority.

PAC DIRECTIVE

The Committee settled the Para.

NATIONAL INSURANCE COMPANY LIMITED

- 6. i) **AUDIT PARA # 6-PAGE-23-ARPSE-2002-03**
AUDIT COMMENTS
- ii) **AUDIT PARA # 7-PAGE-23-ARPSE-2002-03**
AUDIT COMMENTS
- iii) **AUDIT PARA # 7.1-PAGE-23-ARPSE-2002-03**
AUDIT COMMENTS
- iv) **AUDIT PARA # 7.2-PAGE-24-ARPSE-2002-03**
AUDIT COMMENTS
- v) **AUDIT PARA # 7.3PAGE-24-ARPSE-2002-03**
AUDIT COMMENTS
- vi) **AUDIT PARA # 7.4-PAGE-24-ARPSE-2002-03**
AUDIT COMMENTS
- PAKISTAN REINSURANCE COMPANY LIMITED**
- vii) **AUDIT PARA # 9-PAGE-25-ARPSE-2002-03**
AUDIT COMMENTS
- viii) **AUDIT PARA # 9.1-PAGE-25-ARPSE-2002-03**
AUDIT COMMENTS

ix) AUDIT PARA # 9.2-PAGE-25-ARPSE-2002-03
AUDIT COMMENTS

x) AUDIT PARA # 9.3-PAGE-25-ARPSE-2002-03
AUDIT COMMENTS

xi) AUDIT PARA # 9.4-PAGE-26-ARPSE-2002-03
AUDIT COMMENTS

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
xii) AUDIT PARA # 10-PAGE-27-ARPSE-2002-03
AUDIT COMMENTS

xiii) AUDIT PARA # 11-PAGE-27-ARPSE-2002-03
AUDIT COMMENTS

xiv) AUDIT PARA # 11.1-PAGE-27-ARPSE-2002-03
AUDIT COMMENTS

xv) AUDIT PARA # 11.2-PAGE-27-ARPSE-2002-03
AUDIT COMMENTS

xvi) AUDIT PARA # 11.3-PAGE-27-ARPSE-2002-03
AUDIT COMMENTS

xvii) AUDIT PARA # 11.4-PAGE-28-ARPSE-2002-03
AUDIT COMMENTS

TRADING CORPORATION OF PAKISTAN (PVT) LIMITED
xviii) AUDIT PARA # 15-PAGE-30-ARPSE-2002-03
AUDIT COMMENTS

xix) AUDIT PARA # 16-PAGE-30-ARPSE-2002-03
AUDIT COMMENTS

xx) AUDIT PARA # 16.1-PAGE-30-ARPSE-2002-03
AUDIT COMMENTS

xxi) AUDIT PARA # 16.2-PAGE-30-ARPSE-2002-03
AUDIT COMMENTS

xxii) AUDIT PARA # 16.3-PAGE-31-ARPSE-2002-03
AUDIT COMMENTS

COTTON TRADING CORPORATION OF PAKISTAN (PVT) LIMITED

xxiii) **AUDIT PARA # 17-PAGE-32-ARPSE-2002-03**
AUDIT COMMENTS

xxiv) **AUDIT PARA # 18-PAGE-33-ARPSE-2002-03**
AUDIT COMMENTS

DOABA RICE MILLS LIMITED

xxv) **AUDIT PARA # 19-PAGE-33-ARPSE-2002-03**
AUDIT COMMENTS

xxvi) **AUDIT PARA # 19.1-PAGE-33-ARPSE-2002-03**
AUDIT COMMENTS

xxvii) **AUDIT PARA # 19.2-PAGE-33-ARPSE-2002-03**
AUDIT COMMENTS

PAKISTAN NATIONAL PRODUCE COMPANY LIMITED

xxviii) **AUDIT PARA # 20-PAGE-35-ARPSE-2002-03**
AUDIT COMMENTS

xxix) **AUDIT PARA # 21-PAGE-35-ARPSE-2002-03**
AUDIT COMMENTS

xxx) **AUDIT PARA # 21.1-PAGE-35-ARPSE-2002-03**
AUDIT COMMENTS

xxxi) **AUDIT PARA # 21.2-PAGE-36-ARPSE-2002-03**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above paras.

MINISTRY OF COMMERCE

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 20th April, 2016 while examining the Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Commerce are given below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

1. **PARA-13, PAGE-29 (ARPSE-2002-03)**
LOSS OF RS. 10.024 MILLION DUE TO MISAPPROPRIATION BY AN
EMPLOYEE

Audit pointed out that in State Life Insurance Corporation, Vehari Zone an Accountant was charge sheeted on September 10, 1996 on account of misconduct and mis-appropriation of Rs. 10.024 million which was committed during the year 1995-96. The Enquiry Committee pointed out that out of 11 allegations served to the employee, 10 allegations proved correct against him. The employee was found guilty of mis-conduct and accordingly dismissed from service on March 26, 2002 without payment of any compensation. No recovery of embezzled amount was affected. Thus, the Corporation sustained a loss of Rs. 10.024 million due to weak internal controls. The Corporation has, however, filed a civil suit before the Civil Judge Vehari in December 1998 for recovery of Rs. 10.024 million.

PAO informed that the matter is subjudice in the Court of Law. On a query raised by the Committee, PAO further informed that on the basis of fresh enquiry, Mian Abdul Majeed was awarded punishment of reduction to a lower grade from Assistant General Manager to Manager dated 02-03-2001 and Mr. Siddique Akber was exonerated dated 02.03.2001. Mian Abdul Majeed retired at the age of superannuation on 12-03-2001. Mr. Azhar Abbas appealed before FST which set aside the order of dismissal dated 08.05.1997 and remanded the case for denovo proceedings while taking him back into service from the date of order judgment dated 20-06-2001. As per order of FST he was reinstated dated 12.07.2001. Disciplinary proceedings were initiated against him and was found guilty and accordingly dismissed from service. A Civil Suit for recovery of Rs.10,024,878 was also filed against Mian Abdul Majeed and Mr. Azhar Abbas before the Senior Civil Judge, Vehari. Main culprit is absconding and others are defending their cases in the Court.

PAC DIRECTIVE

The Committee pended the para and referred to the PAC Implementation for further follow-up action.

2. **PARA-12, PAGE-28 (ARPSE-2002-03)**
PAYMENT OF BONUS AMOUNTING TO RS. 17.851 MILLION TO OFFICERS
AND EXECUTIVES AGAINST THE INSTRUCTIONS OF THE FINANCE
DIVISION

Audit pointed out that in State Life Insurance Corporation (PO) Karachi and in its Zonal Office Karachi Eastern Zone, Rs. 15.206 million and Rs. 2.645 million respectively were paid as bonus to officers and executives of the Corporation for the years 2000 and 2001 in violation of the standing instructions as contained in Finance Division Government of Pakistan Memo No. F-3 (5)/R-12/ 80-436 dated December 29, 1980.

The PAO informed the Committee that the Board of Directors was empowered to approve the bonus. The implementation of performance based bonuses scheme was proved productive due to which a notable growth in the business of the Corporation was noted.

PAC DIRECTIVE

The Committee settled the para.

GENERAL DIRECTIVE

The Committee directed the PAO to seek guidance from the Finance Division on this systemic issue with special reference to this para whether Finance Division's rules over-ride the decisions of the Board of Directors and submit a report to the Committee within a thirty days.

3. i. **PARA-22, (ARPSE-2002-03)**
AUDIT COMMENTS
- ii. **PARA-23, (ARPSE-2002-03)**
AUDIT COMMENTS
- iii. **PARA-23.1, (ARPSE-2002-03)**
AUDIT COMMENTS
- iv. **PARA-23.2, (ARPSE-2002-03)**
AUDIT COMMENTS
- v. **PARA-23.3, (ARPSE-2002-03)**
AUDIT COMMENTS
- vi. **PARA-23.4, (ARPSE-2002-03)**
AUDIT COMMENTS
- vii. **PARA-23.5, (ARPSE-2002-03)**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above mentioned seven paras on the recommendation of DAC.

MINISTRY OF COMMERCE

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 28th March, 2017 while examining the Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Commerce are given below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03 M/O COMMERCE

1. **PARA 13 PAGE-29 (ARPSE 2002-03)
LOSS OF RS. 10.024 MILLION DUE TO MISAPPROPRIATION BY AN
EMPLOYEE**

Audit pointed out that in Sate Life Insurance Corporation, Vehari Zone an Accountant was charge sheeted on September 10, 1996 on account of misconduct and mis-appropriation of Rs. 10.024 million. As per inquiry report, the employee was found guilty of mis-conduct and accordingly dismissed from service on March 26,2002 without payment of any compensation. No recovery of embezzled amount was effected. Thus, the Corporation sustained a loss of Rs. 10.024 million due to weak internal controls. The Corporation has, however, filed a civil suit before the Civil Judge Vehari in December, 1998 for recovery of Rs. 10.024 million.

The PAO apprised to the Committee that the case is subjudice in the court/FIA.

PAC DIRECTIVE

The Committee pended the para and referred to PAC Implementation for further follow-up action with the direction to PAO to pursue the case, vigorously in the court of law/FIA.

M/O COMMUNICATION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Communication was examined by the PAC on 26th July, 2011, 21st April, 2016 and 19th January, 2017.

- 07 grants and 43 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 03 grants and 24 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.
- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.
- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 26th July, 2011, has also been made part of the report.

M/O COMMUNICATION

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 26th July, 2011 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Communication are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-2002-03

1. **GRANT NO. 17-COMMUNICATIONS DIVISION**
SAVING OF RS. 187,341,959/-

Audit pointed out that the grant closed with a saving of Rs. 187,341,959 which works out to 15.52 percent of the total grant.

The PAO explained that saving was that the officers and staff were to be taken on deputation basis from provincial Police and Pak-Army for new sectors of N-5 but due to road condition & some administrative reasons, the officers were not taken on deputation during the financial year. The posting of PSP Officers (ASPs) was also not made by the Establishment Division.

PAC DIRECTIVE

On the statement of the PAO that the unspent balance related to the pay of officers and vacant posts. The Committee observed that where pay and allowance are involved it is possible to anticipate and ask for full amount of supplementary grant in order to avoid excess and recommended the grant for regularization.

2. i) **GRANT NO. 18-OTHER EXPENDITURE OF COMMUNICATIONS**
DIVISION
SAVING OF RS. 2,992,101/-

ii) **GRANT NO. 122-DEVELOPMENT EXPENDITURE OF**
COMMUNICATIONS DIVISION
SAVING OF RS. 4,542,258/-

PAC DIRECTIVE

The Committee recommended regularization of the above two grants.

3. **GRANT NO. 149- CAPITAL OUTLAY ON COMMUNICATIONS
DIVISION.**
SAVING OF RS. 3,819,987,670/-

Audit pointed out that the grant closed with a saving of Rs. 3,819,987,670/- which works out to 95.51 percent of the total grant. An amount of Rs. 266,912,000/- (6.67%) was surrendered leaving net saving of Rs. 3,553,075,670/- (88.89%)

The PAO explained that the saving has not been provided.

PAC DIRECTIVE

The Committee remanded the above grant back to DAC for reconsideration and directed to report back to the Committee after one month.

MINISTRY OF COMMUNICATION

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 21st, April 2016 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 of M/o Communication are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1. GRANT NO.149, COMMUNICATIONS DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 3,819,787,670 which worked out 95.51% of the total grant. An amount of Rs. 266,912,000 (6.67%) was surrendered leaving net saving of Rs. 3,553,075,670 (88.89%).

PAC DIRECTIVE

The Committee settled the grant.

2. GRANT NO. 19-PAKISTAN POST OFFICE

AGPR pointed out that the grant closed with the saving of Rs. 31,970,476 which worked out to 0.82% of the total grant.

The Committee observed that the saving was less than 1%.

PAC DIRECTIVE

The Committee settled the grant.

3. GRANT NO. 150-PAKISTAN POST OFFICE

AGPR pointed out that the grant closed with an excess of Rs. 9,073 which worked out to 0.05% of the final grant.

PAC DIRECTIVE

The Committee settled the grant.

4. NATIONAL HIGHWAY AUTHORITY NHA PARA NO.1.1 PAGE NO. 13 AR 2002-2003 OVERPAYMENT OF RS. 644.002 MILLION ON ACCOUNT OF NON- DEDUCTION OF COST OF CELLULOSE FIBER

Audit pointed out that violating the General Specification 1991 of NHA and special provisions of respective contract agreements of different projects,

National Highway Authority did not use cellulose fiber in the job mix formula of Asphaltic Base Course but the item was paid at full rate without deduction of cost of cellulose fiber. This resulted in an overpayment of Rs. 644.002 million. Audit objected that NHA and Ministry determined deduction @ Rs. 65 per kg which was not implemented. Audit proposed that consultant certified the wrong claims of the contractor, therefore, penal action including recovery should be taken against the consultant.

PAO informed the Committee that payments were made on the recommendations of the consultant. The cases are subjudice in the Civil Court, Islamabad. He added that a departmental enquiry has been ordered and it will be finalized within thirty days.

5. **PARA NO.1.4 PAGE NO.15-16 AR 2002-2003**
NON-DEDUCTION OF CONSULTANT'S FEE AMOUNTING TO RS. 33.695 MILLION.

Audit pointed out that according to Clause 17 of consultant's contract agreement and as per instructions of Operation Wing of NHA dated 26th February, 2002, 10% deductions were required to be made from consultant's payment for the lapses. But National Highway Authority did not use cellulose fiber in job mix formula for Asphaltic Base Course in Islamabad-Peshawar Motorway and Chablat- Nowshara Projects, but the consultants did not point out due deductions to be made from the contractor's payments. Non-implementation of employer's orders resulted in non-deduction of Rs. 3.695 million.

PAC DIRECTIVE

The Committee clubbed the above two paras of the same nature and directed the PAO to finalize the enquiry and report to PAC/Audit within thirty days.

6. **PARA NO.1.2 PAGE NO. 14 AR 2002-2003**
NON-RECOVERY OF RS. 393.303 MILLION DUE TO NON-EXECUTION OF INSURANCE OF PROJECT

Audit pointed out that violating the Clauses 21 and 25 of the contract agreement National Highway Authority (in three projects namely Additional Carriageway Moro-Kotri Kabir section (N-5), Additional Carriageway Rahim Yar Khan-Tarinda Muhammad Panah and Makran Coastal Project) could not get the works insured and failed to recover the cost thereof. Non-implementation of contract clauses resulted in non-recovery of Rs. 393.303 million.

PAO informed that in Moro-Kotri Kabir project, the assignee contractors M/s SECA and M/s Husnain Construction Co. provided additional rebate of 0.5% in lieu of insurance and in other projects, M/s FWO did not provide any insurance,

however, in case of any loss or damage occurred due to flood, rain etc., the same was rectified by the FWO at their own cost.

PAC DIRECTIVE

The Committee settled the Para with the direction that all agreements /contracts should be insured including the contracts with Frontier Works Organization.

7. **PARA NO.1.3 PAGE NO. 14-15, 2002-2003**
OVERPAYMENT DUE TO APPLICATION OF INCORRECT FOREIGN CURRENCY RATE – RS. 42.650 MILLION

Audit pointed out that during currency of the contract of Additional Carriage way (N-5) Kotri Kabir-Baberlo Section, some new items were introduced through variation orders on the basis of market rates of May and December 1998. Therefore, foreign exchange component should have been paid at the foreign exchange rate prevalent at the time of introduction of these variation orders. National Highway Authority (Kotri Kabir-Baberlo Project) allowed payment of foreign exchange component @ Rs. 26.4076 per US Dollar of February 1993 instead of Rs. 44.1609 and Rs. 46.1150 prevailing at the time of preparation of variation orders in May and December 1998 respectively. Application of incorrect foreign currency rate resulted in overpayment of Rs. 42.650 million.

PAO informed that exchange rate of dollar @ Rs. 26.4076 has been taken as 30 days prior to bid opening on the basis of State Bank statistics. This is applicable to the all original BOQ items as well as work executed through approved Variation Orders during the execution. The contract condition does not permit the change in conversion rate. Therefore, the paid exchange rate was justified in all respects.

Audit told the Committee that the Ministry was directed to get the record relating to variation orders, rate analysis, recovery, etc, verified from Audit within two days.

PAC DIRECTIVE

The Committee settled the Parasubject to verification of record by the Audit.

8. **PARA NO.1.5 PAGE NO. 16 AR 2002-2003**
NON-RECOVERY OF COST OF DAMAGED PROPERTY – RS. 10.916 MILLION

Audit pointed out that National Highway Authority (Land Acquisition Collector Islamabad-Muzaffarabad Dual Carriageway Project) made payment to various persons on account of damages of houses situated out of Right of Way. The damages occurred during execution of work, were required to be paid by the contractor in pursuance to clauses 19.1(C) and 22.1 of General Conditions of Contract. Non-adherence to contract resulted in a loss of Rs. 10.916 million.

PAO informed that all such payments were necessary to affectees as all these structure/houses were in critical location and might be damaged due to exaction of earth work and technically it was not possible to protect these houses. Therefore, the Execution Board in its meeting held in 2010 decided that unavoidable damages to the properties out of Right of Way be paid by National Highway Authority.

PAC DIRECTIVE

The Committee settled the Para.

9. **PARA NO.1.6 PAGE NO. 17-18AR2002-2003**
OVERPAYMENT OF RS 9.854 MILLION DUE TO VIOLATION OF CONTRACT PROVISIONS

Audit pointed out that as per Clause 70.1 of Conditions of Contract Part-II, "increase or decrease in cost of material specified in the Appendix-C to bid should be adjusted according to the current rates notified by the Government". But the National Highway Authority (Multan-Main Channu Additional Carriageway Project, Multan) paid price escalation on high speed diesel on higher rates than the rates notified by the Government/Pakistan State Oil violating Conditions of Contract Part-II which resulted in an overpayment to Rs. 9.854 million.

PAO that provisions of contact have been followed regarding "Base Rate" of fuel incorporated in Appendix-C. PAO added that last DAC deferred the para for record verification which could not be done.

PAC DIRECTIVE

The Committee settled the Parasubject to verification of record by the Audit.

10. **PARA NO.1.7 PAGE NO. 18-19 AR2002-2003**
OVERPAYMENT DUE TO NON-ADJUSTMENT OF RATE – RS. 8.848 MILLION

Audit pointed out that National Highway Authority (Ubaro-Rahim Yar Khan Additional Carriageway Project and Qubo Saeed Khan-shahdad Kot-Ratodero Project) used lesser quantity of bitumen than the quantity prescribed for execution of work but paid the item of bitumen at full rate against the General Specifications. This resulted in an overpayment of Rs 8.848. Audit told that recovery has been effected.

PAC DIRECTIVE

The Committee settled the Para.

11. **PARA NO.1.8 PAGE NO. 19N AR2002-2003**
OVERPAYMENT ON ACCOUNT OF LESS UTILIZATION OF AVAILABLE
EARTH – RS. 8.787 MILLION

Audit pointed out that Item No. 108.2 of NHA General Specifications, 1991 provides that material for embankment shall consist of borrow excavation, roadway excavation or structural excavation. Borrow material would be used only when material obtained from roadway or structural excavation is not suitable or deficient for embankment formation. National Highway Authority (Additional Carriageway Sorab-Kalat Project) obtained 184,400 cum earth from roadway excavation which was required to be used for embankment but only 86,767 cum was utilized. While making payment for the quantity of embankment, the whole quantity of available earth from road way excavation was to be deducted. This resulted in an overpayment of Rs. 8.787 million due to less utilization of available earth for embankment.

PAO agreed with the stance of the Audit and told that this work was done by a Irani Company and liability has been fixed on that Company and efforts are being made to recover the amount.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount. The para stands till complete recovery.

12. **PARA NO.1.9 PAGE NO. 20 AR 2002-2003**
OVERPAYMENT ON ACCOUNT OF UNDUE FOREIGN CURRENCY - RS.
6.747 MILLION

Audit referred the Footnote under Appendix-B, the percentage of foreign currency component, as given in the annex to Appendix-B, was to be worked out by excluding the “provisional sums” from the bid cost and pointed out that National Highway Authority (Additional Carriageway Hala-Moro Section) allowed foreign currency on the amount of provisional sums. This resulted in an overpayment of Rs. 6.747 million. Audit contended that matter needs to be looked into as to why the recovery was not processed in timely manner before final bill.

PAO informed that the work was done by a Company from Singapore. Efforts are being made to make recovery.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount and report to PAC/Audit within thirty days.

13. **PARA NO.1.10 PAGE NO.20-21 AR 2002-2003**
NON-RECOVERY ON ACCOUNT OF NON-EMPLOYMENT OF TRAINEE
ENGINEERS – RS. 6.600 MILLION

Audit pointed out that according to Clause I-34 (Employment of Trainee Engineer) of contract agreement Volume-I; “employment of one trainee engineer for every 30 million rupees was required throughout the duration of contract on a monthly stipend of Rs. 5000”. As per contract provision, 110 trainee engineers were to be employed. National Highway Authority (Additional Carriageway Rahim Yar Khan-Tarinda Muhammad Pannah Project) failed to get the trainee engineers employed. Non-implementation of contract clause resulted in non-recovery of Rs. 6.600 million during June 2002.

PAO ensured that the recovery will be effected within thirty days.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount and if amount is recovered the Para will be settled subject to verification of record by the Audit.

14. **PARA NO.1.11 PAGE NO. 21-22 AR2002-2003**
OVERPAYMENT DUE TO NON-UTILIZATION OF AVAILABLE STEEL – RS.
6.590 MILLION

Audit pointed out that as per bill of quantities of the balance work prepared by the consultant, 400 ton steel was available at site as unused which was to be fixed at labour rate @ Rs. 5,678 per ton. The balance quantity of 275 ton steel was to be arranged and fixed by the contractor @ Rs. 38,615 per ton. National Highway Authority (Islamabad-Peshawar Motorway project) could not use the quantity of available steel and increased the quantity to be arranged from outside. Non-utilization of available steel as provided in the agreement resulted in an overpayment of Rs. 6.590 million to the contractor.

PAO informed that an enquiry has been ordered and will be finalized soon.

15. **PARA NO.1.12 PAGE NO.22 AR 2002-2003**
OVERPAYMENT DUE TO PAYMENT OF ESCALATION ON GENERAL ITEMS
– RS. 3.970 MILLION

Audit pointed out that violating the Contract Clause 70 (I)(ii)(b) of Conditions of Contract part II, National Highway Authority (Additional Carriageway Sorab-Kalat project) allowed price escalation on general items of Bill No 7, which were not part of the permanent work. This resulted in an overpayment of Rs. 3.970 million. PAO did not oppose the Audit view.

PAC DIRECTIVE

The Committee clubbed the above two paras and directed the PAO to hold enquiry, fix responsibility, take action and report to PAC/Audit within thirty days.

16. i) **PARA NO.1.13 PAGE NO. 23 AR2002-2003**
OVERPAYMENT OF RS. 3.351 MILLION ON ACCOUNT OF COST OF PROJECT VEHICLES
- ii) **PARA NO.1.14 PAGE NO. 24AR2002-03**
OVERPAYMENT OF RS. 1.120 MILLION FOR EXCESSIVE PAYMENT AGAINST ACTUAL EMPLOYMENT OF TRAINEE ENGINEERS

PAC DIRECTIVE

The Committee settled the above two Paras on the recommendation of DAC.

17. **PARA NO. 2.1 PAGE NO. 25 AR2002-2003**
AWARD OF CONTRACT FOR RS. 3,287.159 MILLION WITHOUT TENDERING

Audit pointed out that violating the Part-I of Chapter 3, National Highway Authority Code National Highway Authority awarded a work for Additional Carriageway Rahim Yar Khan-Tarinda Muhammad Pannah Project to M/s FWO without calling open and transparent tenders.

PAO informed that due to emergency prevailed in the area and expeditious completion of the project to alleviate the serious problems of traffic halts and transportation of goods /public from Karachi to Lahore and Peshawar, the work was awarded to M/s FWO after negotiation on contractor's bid price which was 17.70% above on engineering estimate. The tendering procedure could delay execution of the project. The project was substantially completed and traffic is plying since April 10, 2003.

PAC DIRECTIVE

The Committee settled the Para with displeasure to the authorities held responsible for this lapse.

18. **PARA NO. 2.2 PAGE NO.26 AR2002-2003**
IRREGULAR AWARD OF WORK TO A NON-PREQUALIFIED CONTRACTOR – RS. 2,187 MILLION

Audit pointed out that violating the Para 7, Chapter 3 of NHA Code National Highway Authority (Islamabad-Murree Dual Carriageway Project) awarded the work to a non-prequalified contractor in 1999. Non-observance of rules resulted in an irregular award of work amounting to Rs. 2,187 million.

PAO informed that originally the work was awarded to M/s DITCO through prequalification and tendering in June 1993. The work was terminated in September 1994 due to non-acquiring of land, non-availability of funds and non-provision of performance guarantee by the contractor. M/s DITCO sought for arbitration in 1996. The arbitration continued for over three years. The then Prime Minister enquired about the project and asked Ministry of Communications for immediate resumption of work. The then Secretary Communications called a local contractor M/s HAKAS for negotiation and revival of agreement. PAO told in the previous DAC some record including the reassigned agreement/conditions were demanded which will be shown to Audit.

PAC DIRECTIVE

The Committee settled the Para subject to verification of record (reassigned agreement/conditions) by the Audit.

**19. PARA NO. 2.3 PAGE NO. 26-27 AR2002-03
IRREGULAR AWARD OF WORK RS. 551.362 MILLION**

Audit pointed out that National Highway Authority awarded a work for Lahore Bund Road Project to M/s FWO without calling open and transparent tenders provisions provided in Part-I of Chapter 3, National Highway Authority Code and instructions given by the Ministry of Defence (Defence Division) Rawalpindi. This resulted in an irregular award of work amounting to Rs. 551.362 million.

PAO informed that there were strict direction of Chief Executive of Pakistan to start the project immediately. He apprised the Committee that due to paucity of time the contract was awarded to M/s FWO without No one else other than M/s FWO was either willing to execute the project in built up area cluttered with litigation and encroachment and would have mobilized in that short span of time. The award of work at 10% above CSR in that scenario by the competent authority and no loss has been caused to the state is justified.

PAC DIRECTIVE

The Committee settled the Para with displeasure to all concerned.

**20. PARA NO. 2.4 PAGE NO.27-28AR 2002-2003
IRREGULAR AWARD OF WORK AMOUNTING TO RS. 268.036 MILLION**

Audit pointed out that according to Section-6 (c) of National Highway Authority Act the project costing Rs. 60 million and above shall be submitted to National Highway Council for approval but National Highway Authority awarded ten (10) contracts of a work "Rawalpindi Urban Area Development Project" by splitting into small contracts keeping the value of each contract within the competence of

the Chairman. Non-observance to rules resulted in irregular award of work amounting to Rs. 268.036 million.

PAO informed that the works/contracts were awarded for different sites and to different firms on availability of funds because funds were not provided in one go. He added that the projects were awarded at different times in a period of four years. Therefore, the question of manipulation or mala-fide intensions does not rise.

PAC DIRECTIVE

The Committee settled the Para with displeasure mentioning that during inevitable situation, the provisions were required to be inserted and all Codal requirements should have been observed strictly.

**21. PARA NO. 2.5 PAGE NO. 28-29 AR2002-2003
IRREGULAR AWARD OF CONSULTANCY CONTRACT OF RS. 31.750
MILLION WITHOUT OPEN TENDERING**

Audit pointed out that National Highway Authority awarded consultancy contract for Additional Carriageway Rahim Yar Khan- Tarinda Muhammad Panah Project without open tender violating the rules. This resulted in irregular award of contract for Rs. 31.750 million.

PAO informed that he Authority provided minutes of 92nd meeting of NHA Executive Board wherein the Board agreed to authorize Chairman NHA to appoint Design Consultant as Supervisory consultant directly on case to case basis in the interest of work. However, the practice will not be followed as a rule.

PAC DIRECTIVE

The Committee settled the Para with displeasure to all concerned.

**22. PARA NO.3.1 PAGE NO. 29 AR2002-2003
LOSS DUE TO ALLOWING FOREIGN CURRENCY PAYMENT TO LOCAL
CONTRACTOR – RS. 130.224 MILLION**

Audit told the Committee that as per Appendix-B to the tender, which becomes the part of the contract agreement, foreign currency was to be allowed to the contractor to meet with the foreign currency expenses/requirements only. But the National Highway Authority allowed foreign currency component @ 25% of the amount of work done to a local contractor (M/s Hakas) on account of Islamabad Murree Dual Carriageway without any foreign exchange requirement/justification by him. This resulted in loss of Rs. 130.224 million in the shape of foreign exchange rate difference.

PAO informed the Committee that the rates were reduce by 7% and the foreign currency component was reduce by 10% which shows that the contract was in the benefit of Government of Pakistan.

PAC DIRECTIVE

The Committee settled the Para.

23. **PARA NO.3.2 PAGE NO. 30 AR2002-2003**
LOSS DUE TO IRREGULAR REDUCTION OF DEFECT LIABILITY PERIOD –
RS. 106.144 MILLION

PAC DIRECTIVE

The Committee settled the Para.

PERFORMANCE AUDIT REPORT OF THE PROJECT KHARIAN TO
RAWALPINDI(N-5)

ISSUE NO. 1 PAGE NO.125 – 128
PAR- ADD. CARRIAGEWAY KHARIAN-RWP
TIME OVERRUN DUE TO DEFECTIVE DESIGN, ILL-PLANNING AND
PAUCITY OF FUNDS

ISSUE NO. 2 PAGE NO.128 –129
PAR- ADD. CARRIAGEWAY KHARIAN-RWP
IRREGULAR AWARD OF WORK – RS. 2,264 MILLION

ISSUE NO. 3 PAGE NO.130 – 132
PAR- ADD. CARRIAGEWAY KHARIAN-RWP
LOSS TO AUTHORITY DUE TO FAULTY/DEFECTIVE DESIGN BY THE
CONSULTANT – RS. 1,894 MILLION

ISSUE NO. 4 PAGE NO.132 – 133
PAR- ADD. CARRIAGEWAY KHARIAN-RWP
FINANCIAL INDISCIPLINE/MANAGEMENT

Audit informed the committee that the project was design after the award. According to audit due to this the authority have to issue variation orders according to audit there was time overrun due to defective design poor planning and poor financial management. Audit told that the project cost/bill of quantity based on original design was under estimated. There was also an arithmetic error of Rs. 85 million in the original BOQ. The audit also apprised the committee that violating the clause of I-17 of contract agreement the authority awarded the contract of RS. 2,264 million without competitive bidding and prequalification.

PAO informed that when the project started the people which worth being effected due to this were compensated by providing service road and other facilities. He stressed that the roads are made to facilitate the public. He told that in all villages coming in the way of project necessary work was done which could be examined on the spot. He told that there is 30 pages brief about the project which could be shared with the audit.

PAC DIRECTIVE

The committee directed the PAO to hold inquiry, fix responsibility, take action and submit report to the audit/PAC within 30 days.

PAKISTAN POST OFFICE DEPARTMENT

**24. PARA NO 2.1.2 PAGE NO 6
NON-RECOVERY OF PENALTY AMOUNTING TO RS. 3.002 MILLION**

Audit pointed out that it was liability to pay penalty to Pakistan Post Office Department on the rates agreed between the parties. The company failed to comply with the terms and condition of the agreement. House, penalty amounting to Rs. 3.002 million was imposed on the company by the Pakistan Post Office Department. However the same was not recovered.

The PAO ensured that a denovo inquiry will be ordered and after fixing the responsibility and taking action, the report will be submitted to Audit/PAC within thirty days.

PAC DIRECTIVE

The committee directed the PAO to conduct inquiry and report thereof be sent to the committee within 30 days.

**25. PARA NO 2.1.6 PAGE NO 10 AR 2002-03
LOSS RESULTING FROM IMPROPER AGREEMENT**

Audit pointed out that there is no provision in the Post Office, 1898, allowing the Department to rent out its premises to private bodies. The Director General, Pakistan Post Office Department endorsed the agreement directing all the Postmasters General to provide a minimum space of 10x10 for establishing internet and e-mail facilities. The action of the Pakistan Post Office management was not in order being against the Post Office Act, 1898.

PAO informed that in the light of the DAC directions enquiry has been ordered to fix responsibility within 2 months.

PAC DIRECTIVE

The committee directed the PAO to conduct inquiry and report thereof be sent to the committee within 60 days.

**26. PARA NO 2.2.1 PAGE NO 12,AUDIT REPORT 2002-03
PAYMENT OF RS. 6.212 MILLION TO A PRIVATE HOUSING SOCIETY**

Audit pointed out that the action of the management does not seem to be in order because the scheme was not properly conceived, the payment was made without executing formal agreement with the housing society and mortgage deeds were not obtained from the employees.

PAO informed that HBA sanctioned to officials was paid to the Housing authority in shape of cheques but Mortgage Deeds were not obtained. However, recovery is being made from the pay of officials concerned on monthly installments and 83 % recovery has been made.

PAC DIRECTIVE:

The committee settled the Para subject to verification by Audit.

**27. PARA NO 2.2.3 PAGE NO 14,AUDIT REPORT 2002-03
PURCHASE OF DURABLE GOODS CONTING RS. 3.062 MILLION**

Audit pointed out that three formation of Pakistan Post Office Department incurred an expenditure of Rs. 3.062 million on purchase of machinery and equipments, computers and accessories, fax machines, printers and furniture and fixture during 2000-02.

PAO informed that enquiry has been ordered to fix responsibility within 2 months .

PAC DIRECTIVE

The committee directed the PAO to conduct inquiry and report thereof be sent to the Committee within 60 days.

**28. PARA NO 2.3.1 PAGE NO 20,AUDIT REPORT 2002-03
LACK OF CONTROL OVER LOSSES AND FRAUDS**

Audit pointed out that in seven units of PPO Department 44 cases of misappropriation, fraud and defalcation prepared in form M-89 of the Department during 2001-02 which were not reported to the Audit Office as required under the rules. This reflected ineffective internal controls.

PAO informed that 45 cases involving an amount of Rs. 34.044 million have been pointed out in the Para. As per departmental record, this amount is Rs. 33.090 millions. Rs. 7.739 million have been recovered leaving balance of Rs. 25.351 million. 22 officials were awarded major penalty. Minor penalty was imposed on 4 officials. Five cases are under NAB. One is being investigated by FIA. Three are in the courts and two are with Police.

PAC DIRECTIVE

The committee directed the PAO to get the record of recovery and disciplinary proceedings verified from Audit and refer the matter to NAB for balance recovery.

**29. PARA NO 2.3.7 PAGE NO 26,AUDIT REPORT 2002-03
DELAY IN COMPLETION OF AUTOMATION PROJECT**

Audit pointed out that the basic requisites specified in the project were as Rs. 2 million for ten Computerized Franking Machines, Rs. 3 million for 40 Postal Computerized Weighing Scales and Rs. 5 Million for 10 Operational Mail Vehicles whereas whole of the said Japanese aid was spent on purchase of computers only. Complete record of the project was not available i.e comparative statements etc due which approved rated could not be ascertained.

PAO informed that we agree with the audit and we will conduct inquiry within 30 days.

PAC DIRECTIVE

The committee directed the PAO to finalize inquiry and report to PAC/Audit within 30 days.

**30. PARA NO 2.4.1 PAGE NO 27,AUDIT REPORT 2002-03
NON PRODUCTION OF RECORD**

Audit pointed out that contrary to rules four formations of PPO Department did not produced the auditable record(tender documents, details of expenditure, log books etc) to Audit which resulted in obstruction in the audit process.

PAO informed that an inquiry has been ordered and its findings will be provided to Committee and Audit within 30 days.

PAC DIRECTIVE

The committee pended the Para and directed the PAO to conduct inquiry, fix responsibility of irregularity and non provision of record to Audit and report to PAC within 30 days.

MINISTRY OF COMMUNICATION

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 19th January, 2017 while examining Audit Reports/ Special Audit Reports for the year 2002-03 of M/o Communication are given below:-

DG AUDIT WORKS (FEDERAL), ISLAMABAD

1. i. **PARA NO.1.1 PAGE NO. 13 AR 2002-2003
OVERPAYMENT OF RS. 644.002 MILLION ON ACCOUNT OF NON-
DEDUCTION OF COST OF CELLULOSE FIBER**

Audit pointed out that according to General Specification 1991 of NHA and special provisions of respective contract agreements of different projects, cellulose fiber was to be used as an additive in job mix formula of Asphaltic Base Course to eliminate bleeding tendency and cost thereof was included in the rate of Asphaltic Base Course. National Highway Authority did not use cellulose fiber in the job mix formula of Asphaltic Base Course but the item was paid at full rate without deduction of cost of cellulose fiber. This resulted in an overpayment of Rs. 644.002million.

ii. **PARA NO.1.4 PAGE NO.15-16, 2002-2003
NON-DEDUCTION OF CONSULTANT'S FEE AMOUNTING TO RS.
33.695 MILLION.**

Audit pointed out that Clause 17 of consultant's contract agreement states; "the construction supervision services of consultants shall include to control and assure quality of the work in compliance of specification". Further, as per instructions of Operation Wing of NHA dated 26th February, 2002, 10% deductions were required to be made from consultant's payment for the lapses. National Highway Authority did not use cellulose fiber in job mix formula for Asphaltic Base Course in Islamabad-Peshawar Motorway and Chablat-Nowshara Projects, but the consultants did not point out due deductions to be made from the contractor's payments. Non-implementation of employer's orders resulted in non-deduction of Rs. 3.695 million.

PAO informed that amount from one consultant has been recovered and recovery from the second consultant will be made after the finalization of inquiry.

PAC DIRECTIVE

The Committee pended the above two paras.

2. **PARA NO.1.2 PAGE NO. 14 AR 2002-2003**
NON-RECOVERY OF RS. 393.303 MILLION DUE TO NON-EXECUTION OF
INSURANCE OF PROJECT

Audit pointed out that Clause 21 of the contract agreement states; “the contractor shall insure, in the joint names of the employer and the contractor, against loss/damage etc”. Moreover clause 25 stipulates that in case of failure, the employer was responsible to implement the said clause and recover the cost incurred “as a debt due from the contractor”. National Highway Authority (in three projects namely Additional Carriageway Moro-KotriKabir section (N-5), Additional Carriageway Rahim Yar Khan-Tarinda Muhammad Panah and Makran Coastal Project) could not get the works insured and failed to recover the cost thereof. Non-implementation of contract clauses resulted in non-recovery of Rs. 393.303 million.

PAO informed the Committee that the directions of the PAC and DAC that all the agreements/contracts should be insured, have been communicated to all concerned for implementation/compliance.

PAC DIRECTIVE

The Committee settled the para.

3. **PARA NO.1.3 PAGE NO.14-15 AR 2002-2003**
OVERPAYMENT DUE TO APPLICATION OF INCORRECT FOREIGN
CURRENCY RATE – RS. 42.650 MILLION

Audit pointed out that During currency of the contract of Additional Carriage way (N-5) KotriKabir-Baberlo Section, some new items were introduced through variation orders on the basis of market rates of May and December 1998. Therefore, foreign exchange component should have been paid at the foreign exchange rate prevalent at the time of introduction of these variation orders. National Highway Authority (KotriKabir-Baberlo Project) allowed payment of foreign exchange component @ Rs. 26.4076 per US Dollar of February 1993 instead of Rs. 44.1609 and Rs. 46.1150 prevailing at the time of preparation of variation orders which in overpayment of Rs. 42.650 million. The Audit further that the previously the para was recommended for settlement subject to verification of record by the PAC but the Ministry failed to submit the document for verification.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by Audit within 15 days.

4. **PARA NO.1.6 PAGE NO. 17-18, AR 2002-2003**
OVERPAYMENT OFRS. 9.854 MILLION DUE TO VIOLATION OF CONTRACT
PROVISIONS

Audit pointed out that As per Clause 70.1 of Conditions of Contract Part-II, "increase or decrease in cost of material specified in the Appendix-C to bid should be adjusted according to the current rates notified by the Government".National Highway Authority (Multan-Main Channu Additional Carriageway Project, Multan) paid price escalation on high speed diesel on higher rates than the rates notified by the Government/Pakistan StateOil. Non-adherence to the provision of contract agreement resulted in an overpayment to Rs. 9.854 million.

PAO informed that an amount of Rs. 6.065 million has been recovered and efforts being made for the balance.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

5. i) **PARA NO.1.8 PAGE NO. 19, 2002-2003**
OVERPAYMENT ON ACCOUNT OF LESS UTILIZATION OF
AVAILABLE EARTH – RS. 8.787 MILLION

Audit pointed out that Item No. 108.2 of NHA General Specifications, 1991 provides that material for embankment shall consist of borrow excavation, roadway excavation or structural excavation. Borrow material would be used only when material obtained from roadway or structural excavation is not suitable or deficient for embankment formation. National Highway Authority (Additional Carriageway Sorab-Kalat Project) obtained 184,400 cum earth from roadway excavation which was required to be used for embankment but only 86,767 cum was utilized. While making payment for the quantity of embankment, the whole quantity of available earth from road way excavation was to be deducted. This resulted in an overpayment of Rs. 8.787 million due to less utilization of available earth for embankment.

ii) **PARA NO.1.12 PAGE NO.22 AR 2002-2003**
OVERPAYMENT DUE TO PAYMENT OF ESCALATION ON GENERAL
ITEMS –RS. 3.970 MILLION

Audit pointed out that the Contract Clause 70 (I)(ii)(b) of Conditions of Contract part II states; "Price escalation adjustment shall be allowed only for the quantities of those specified materials which have actually been

incorporated in the permanent work during the corresponding period of the increase or decrease”.

National Highway Authority (Additional Carriageway Sorab-Kalat project) allowed price escalation on general items of Bill No 7, which were not part of the permanent work. This resulted in an overpayment of Rs. 3.970 million.

The PAO informed that the enquiry has been ordered and outcome of the enquiry will be shared with Audit and PAC.

PAC DIRECTIVE

The Committee pended the above two paras till next meeting.

6. **PARA NO.1.9 PAGE NO. 20 AR 2001-2002**
OVERPAYMENT ON ACCOUNT OF UNDUE FOREIGN CURRENCY -RS
6.747 MILLION

Audit pointed out that according to Footnote under Appendix-B, the percentage of foreign currency component, as given in the annex to Appendix-B, was to be worked out by excluding the “provisional sums” from the bid cost. National Highway Authority (Additional Carriageway Hala-Moro Section) allowed foreign currency on the amount of provisional sums. This resulted in an overpayment of Rs. 6.747 million.

PAO informed that foreign contractor (M/s L&M) was an Iranian company which has left the country and its assignee contractor (M/s Echo West) is also blacklisted. Recovery, therefore, could not be effected. PAO requested that as the company is not traceable, the matter may be referred to BoD for to written off the amount.

PAC DIRECTIVE

The Committee settled the para for settlement subject to verification of record by the Audit.

7. **PARA NO.1.10 PAGE NO.20-21 AR 2002-2003**
NON-RECOVERY ON ACCOUNT OF NON-EMPLOYMENT OF TRAINEE
ENGINEERS –RS. 6.600 MILLION

Audit pointed out that according to Clause I-34 (Employment of Trainee Engineer) of contract agreement Volume-I; “employment of one trainee engineer for every 30 million rupees was required throughout the duration of contract on a monthly stipend of Rs. 5000”. As per contract provision, 110 trainee engineers were to be employed. National Highway Authority (Additional Carriageway Rahim

Yar Khan-Tarinda Muhammad Pannah Project) failed to get the trainee engineers employed. Non-implementation of contract clause resulted in non-recovery of Rs. 6.600 million during June 2002.

PAO informed the Committee that recovery has been made.

PAC DIRECTIVE

The Committee settled the para for settlement.

**8. PARA NO. 2.2 PAGE NO.26 AR 2002-2003
IRREGULAR AWARD OF WORK TO A NON-PREQUALIFIED CONTRACTOR
– RS. 2,187 MILLION**

Audit pointed out that Para 7, Chapter 3 of NHA Code provides that the tenders should be accepted from only those firms or persons which are pre-qualified by the Authority, and work should be awarded to only such firms or persons. National Highway Authority (Islamabad-Murree Dual Carriageway Project) awarded the work to a non-prequalified contractor in 1999. Non-observance of rules resulted in an irregular award of work amounting to Rs. 2,187 million.

PAO informed that the record as directed by the PAC has been submitted to Audit for verification.

PAC DIRECTIVE

The Committee settled the para.

**9. PARA NO.1.11, PAGE NO.21-22, 2002-2003
OVERPAYMENT DUE TO NON-UTILIZATION OF AVAILABLE STEEL –RS.
6.590 MILLION**

PAC DIRECTIVE

The Committee recommended the para for settlement on the recommendation of DAC.

**PERFORMANCE AUDIT REPORT OF THE PROJECT
KHARIAN TO RAWALPINDI (N-5)**

PAC DIRECTIVE

The Committee settled the above report on the recommendation of DAC.

COUNCIL OF ISLAMIC IDEOLOGY

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Council of Islamic Ideology was examined by the PAC on 28th July, 2011.

- 01 grant was presented by the Audit Department which were examined by the Committee which was settled.
- It is pointed out that this meeting was conducted by the Sub- Committee of 13th PAC.

COUNCIL OF ISLAMIC IDEOLOGY

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 28th July, 2011 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Council of Islamic Ideology are given below:-

APPROPRIATION ACCOUNTS (CIVIL)- VOL-1 2002-03

1. **GRANT NO. 104 COUNCIL OF ISLAMIC IDEOLOGY**
SAVING RS. 2,382,721/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 2,382,721/- (14.56 % of the total grant). An amount of Rs. 1,867,174/- was surrendered leaving net saving of Rs. 515,547/-.

PAC DIRECTIVE

The Committee recommended regularization with the observation that full amount should have been surrendered.

M/O FEDERAL EDUCATION & PROFESSIONAL TRAINING

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Federal Education & Professional Training was examined by the PAC on 21st April, 2016.

- 03 grants were presented by the Audit Department which were examined by the Committee. These 03 grants were settled.

M/O FEDERAL EDUCATION AND PROFESSIONAL TRAINING

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 21st April, 2016 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 of M/o Federal Education and Professional Training are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1. i) **GRANT NO.29-EDUCATION DIVISION**

AGPR pointed out that grant closed with the excess of Rs. 100,522 which worked out 0.06% of the total grant.

ii) **GRANT NO. 30- EDUCATION**

AGPR pointed out that the grant closed with an excess of Rs. 264,405,390 which worked out to 6.41% of the total grant.

PAC DIRECTIVE

The Committee recommended the above two grants for regularization and made no comments.

2. **GRANT NO.126- DEVELOPMENT EXPENDITURE EDUCATION DIVISION**

AGPR pointed out that the grant closed with the saving of Rs. 263,643,455 which worked out 4.35% of the total grant. An amount of Rs. 409,353,000 (6.75%) was surrendered resulting into an excess of Rs. 145,709,545 (2.40%).

PAC DIRECTIVE

The Committee settled the grant.

ECONOMIC AFFAIRS DIVISION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Economic Affairs Division was examined by the PAC on 4th August, 2011.

- 05 grants were presented by the Audit Department which were examined by the Committee and were settled.
- It is pointed out that this meeting was conducted by the Sub- Committee of 13th PAC.

ECONOMIC AFFAIRS DIVISION

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 4th August, 2011 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Economic Affairs Division are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-1-2002-03

1. i. **GRANT NO.49-ECONOMIC AFFAIRS DIVISION**
SAVING (-) RS. 6,672,336/- SURRENDER 4,166,000/- NET SAVING RS.
2,506,336/-

AGPR pointed out that the appropriation closed with a saving of Rs.6,672,336/- which worked out to 2.17% of the total grant. An amount of Rs. 4,166,000/- (1.35%) was surrendered leaving net saving of Rs.2,506,336.

The PAO explained that saving due to vacant posts and major saving of Rs.236,510 relates "Seminar and Conference" due to less expenditure because some foreign delegates did not attend the Pakistan Development Forum.

PAC DIRECTIVE

The Committee settled the grant with the observation that the entire amount should have been surrendered.

- ii. **GRANT NO.129- DEVELOPMENT EXPENDITURE OF ECONOMIC**
AFFAIRS DIVISION

The Budget provision was utilized in full.

PAC DIRECTIVE

The Committee recommended regularization of the grant.

- iii. **GRANT NO.154 EXTERNAL DEVELOPMENT LOANS AND ADVANCES**
BY THE FEDERAL GOVERNMENT.
SAVING (-) RS. 9,420,988,402/- OTC EXCESS RS. 2,762,710,127/-

CHARGED

AGPR pointed out that the appropriation closed with a saving of Rs.9,420,988,402 which worked out to 65.57% of the total appropriation.

OTHER THAN CHARGED

AGPR pointed out that the appropriation closed with an excess of Rs.2,762,710,127, which worked out to 11.10% of the total appropriation. An amount of Rs. 3,500,000,000 (14.07%) was surrendered increasing net excess of Rs. 6,262,710,127 (25.18%).

The PAO explained that the subject Demand is of uncertain nature, due to which correct forecasting is not possible for expected disbursement of Foreign Aid. The nature of the Demand and associated problems remain the same every year. Since Excess and Savings were appearing each year, therefore the PAC took a serious notice and formed an IDC while considering Appropriation Accounts 2007-08 of the same demand in its meeting held on 8th December 2010. Report of the IDC was forwarded to the PAC on 15th January, 2011. In order to overcome variations in the B.E. and Actual Expenditure, the IDC report recommends that:

“On the pattern of Railways and provinces, Budget Estimates (B/E) and disbursement of loans relented to autonomous bodies will be made part of demands of respective administrative Ministries, concerned Secretary/PAO, who has full administrative/financial powers, will be accountable for excess/savings before PAC. However, these B/E will continue to be part of existing grant of EAD on notional basis as usual” further “Programme Loans/Budgetary Support which are reflected neither against the Demand of Finance Division nor that of EAD, will be made part of EAD’s above noted Demand in future”.

PAC DIRECTIVE

In view of the IDC report the Committee recommended regularization of the grant.

- iv. **SERVICING OF FOREIGN DEBT (SFD)**
SAVING (-) RS. 15,855,970,868/- SURRENDER RS. 15,855,970,868/-

CHARGED

AGPR pointed out that the appropriation closed with a saving of Rs.15,855,970,868 which worked out to 29.89% of the total appropriation.

The PAO explained that the entire saving was surrendered in time.

PAC DIRECTIVE

The Committee settled the grant.

- v. **FOREIGN LOANS REPAYMENT (FLR)**
SAVING (-) RS. 51,809,277/- SURRENDER RS. 51,809,277/-

CHARGED

AGPR pointed out that the appropriation closed with a saving of Rs.51,809,277 which worked out to 0.11% of the total appropriation.

The PAO explained that the entire saving was surrendered in time.

PAC DIRECTIVE

The Committee settled the grant.

- vi. **RE-PAYMENT OF SHORT TERM FOREIGN CREDITS (RSTFC)**
SAVING (-) RS. 13,396,035,831/-

CHARGED

AGPR pointed out that the appropriation closed with a saving of Rs.13,396.035,831 which worked out to 55.52% of the total appropriation.

The PAO explained that the entire saving was surrendered in time.

PAC DIRECTIVE

The Committee settled the grant.

ELECTION COMMISSION OF PAKISTAN

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Election Commission of Pakistan was examined by the PAC on 14th September, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee and was settled.

ELECTION COMMISSION OF PAKISTAN

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Election Commission of Pakistan are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. ELECTION COMMISSION OF PAKISTAN (CHARGED)

AGPR pointed out that the grant closed with a saving of Rs. 64,919,529 which was 4.47 percent of the total appropriation. An amount of Rs.63,799,429 (4.40%) was surrendered leaving net saving of Rs.1,120,100 (0.07%).

PAC DIRECTIVE

The Committee settled the above grant.

ESTABLISHMENT DIVISION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Establishment Division was examined by the PAC on 18th January, 2017.

- 04 grants were presented by the Audit Department which were examined by the Committee and were settled.

ESTABLISHMENT DIVISION

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 18th January, 2017 while examining Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Establishment Division are given below:-

APPROPRIATION ACCOUNTS CIVIL VOLUME I – 2002- 03

1. i) **GRANT NO.6- ESTABLISHMENT DIVISION**

The AGPR pointed out that the grant close with saving of Rs.42,649,840 which worked out to 11.97 percent of the total grant. An amount of Rs. 34,122,225 (9.58%) was surrendered leaving net saving of Rs. 8,527,615 (2.39%).

ii) **GRANT NO. 7-FEDERAL PUBLIC SERVICE COMMISSION**

The AGPR pointed out that the grant closed with a saving of Rs. 242,903 which worked out to 0.26 percent of the total grant.

iii) **GRANT NO.8-OTHER EXPENDITURE OF ESTABLISHMENT DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs.16,921,819 which worked out to 5.10 percent of the total grant. An amount of Rs. 14,932,493 (4.50%) was surrendered leaving net saving of Rs. 1,989,326 (0.60%).

iv) **GRANTNO.120-DEVELOPMENTEXPENDITUREOFESTABLISHMENT DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs.154,782,760 which worked out to 99.68 percent of the total grant. An amount of Rs.4,782,681 (3.08%) was surrendered leaving net saving of Rs.150,000,079 (96.60%).

PAC DIRECTIVE

The Committee settled the above four grants.

FEDERALLY ADMINISTERED TRIBAL AREAS (FATA)

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the FATA Secretariat was examined by the PAC on 28th July, 2011 & 28th March, 2017.

- 05 grants were presented by the Audit Department which were examined by the Committee and were settled.
- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 28th July, 2011 has also been made part of the report.

FATA SECRETARIAT

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 28th July, 2011 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to FATA are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1. i. **GRANT NO.85-FEDERALLY ADMINISTERED TRIBAL AREAS**
EXCESS (+) RS. 104,650,289/-

AGPR pointed out that the grant closed with excess of Rs.104,650,289/- (3.55 percent of the total grant). An amount of Rs.39,000,000 was surrendered increasing net excess of Rs.143,650,289 (4.88%). A supplementary grant of Rs.8,668,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that the less booking of expenditure of Rs. 71,129,708/-. However, the department has not provided the copies of reconciliation of expenditure.

PAC DIRECTIVE

The Committee observed that figures should have been reconciled in the DAC which was not done. The Committee remanded the grant for consideration in the DAC and directed the AGPR to associate SAFRON in the meeting and report back to the Committee within one month.

2. **GRANT NO.138 DEVELOPMENT EXPENDITURE OF FEDERALLY**
ADMINISTERED TRIBAL AREAS
EXCESS (+) RS. 750,365,357/-

AGPR pointed out that the grant closed with excess of Rs.750,365,357/- (34.08% of the total grant). An amount of Rs.367,400,00/- was surrendered increasing net excess of Rs.1,117,765,357/- (50.77%).

The PAO informed the Committee that the excess was due to reason that a national allocation of Rs. 1,000 million over and above the PSDP allocation for FATA had been taken into account at the time of preparation of FAT ADP. Later on the release of the national amount by the Finance Division did not materialized to cover the excess expenditure incurred by some departments.

PAC DIRECTIVE

The Committee observed that the Ministry was already in huge excess and yet surrendered Rs.367,400,00/- which made the excess very huge. The Committee also noted that excess expenditure had been incurred despite supplementary grant of Rs. 217,000,000/- which indicated faulty estimation of actual requirement. The Committee remanded the grant back to DAC and directed the AGPR to associate SAFRON in the meeting and report back to the Committee within one month.

3. GRANT NO.157 CAPITAL OUTLAY ON DEVELOPMENT OF TRIBAL AREAS

The entire budget provision was utilized in full.

PAC DIRECTIVE

The Committee recommended regularization of the grant as the budgetary provisions had been fully utilized.

FEDERALLY ADMINISTERED TRIBAL AREAS (FATA)

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 28th March, 2017 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Federally Administered Tribal Areas (FATA) are given below:-

1. i) **GRANT NO.85-FEDERALLY ADMINISTERED TRIBAL AREAS**
(SAVING OF RS. 104,650,289)

AGPR pointed out that the grant closed with an excess of Rs. 104,650,289 which worked out to 3.55 percent of the total grant.

The PAO explained to the Committee that the excess was occurred due to less provision of Budget and revision of pay scales.

ii) **GRANT NO. 138- DEVELOPMENT EXPENDITURE OF FEDERALLY**
ADMINISTERED TRIBAL AREAS
(EXCESS/SAVING RS. 750,365,357)

AGPR pointed out that the grant closed with an excess of Rs. 750,365,357 which worked out to 34.08 percent of the total grant.

The PAO explained to the Committee that the excess was occurred due to a notional allocation of Rs. 1,000 million over and above the PSDP allocation for FATA had been taken into account at the time of preparation of FATA ADP.

PAC DIRECTIVE

After hearing the PAO, the Committee recommended the excess for regularization in the above two (02) grants.

FEDERAL TAX OMBUDSMAN SECRETARIAT

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Federal Tax Ombudsman was examined by the PAC on 14th September, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee. This 01 grant was settled.

FEDERAL TAX OMBUDSMAN

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Federal Tax Ombudsman are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. FEDERAL TAX OMBUDSMAN (CHARGED)

AGPR pointed out that the grant closed with a saving of Rs. 16,781,613 which was 43.27 percent of the total appropriation. An amount of Rs.16,377,496 (42.23%) was surrendered leaving net saving of Rs.403,667 (1.04%).

PAC DIRECTIVE

The Committee settled the above grant.

FINANCE DIVISION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Finance Division was examined by the PAC on 19th July, 2011, 7th November, 2016 & 26th October, 2017.

- 17 grants and 29 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 17 grants and 10 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 19th July, 2011 has also been made part of the report.

FINANCE DIVISION

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 19th July, 2011 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Finance are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1. i) **GRANT NO. 35 – FINANCE DIVISION**
SAVING RS. 49,658,402/-

The AGPR pointed out that the grant closed with a saving of Rs.49,658,402 which worked out to 15.82% of the total grant. An amount of Rs.48,594,000 (15.48%) was surrendered leaving net saving of Rs.1,064,402 (0.34%).

The PAO explained that saving due to vacant posts, excess related to Economic Minister, Washington and was due to fluctuation of Foreign Exchange and funds were kept to meet the emergent nature of expenditure in connection with attending of meeting of Commonwealth and World Bank by the officers of Finance Division but no delegation was deputed due to which fund could not be utilized till the close of financial year.

ii) **GRANT NO. 36 – CONTROLLER GENERAL OF ACCOUNTS**
SAVING RS. 24,909,340/-

The AGPR pointed out that the grant closed with a saving of Rs.24,909,340 which worked out to 3.63% of the total grant. An amount of Rs.14,934,618 (2.18%) was surrendered leaving net saving of Rs.9,974,722 (1.45%).

The PAO explained that the saving pertain to 12 budgetary units and was due to vacant posts/positions in different cadres and CGA department.

PAC DIRECTIVE

The Committee recommended regularization of the above grants with the observation that every effort should be made to surrender all savings before the prescribed date.

2. **GRANT NO. 39 – OTHER EXPENDITURE OF FINANCE DIVISION**
EXCESS RS. 468,876,065/-

The AGPR pointed out that the grant closed with an excess of Rs.468,876,065 which worked out to 22.04% of the total grant. An amount of Rs.124,000 (0.01%) was surrendered leaving net saving of Rs.469,000,065 (9.22%). A supplementary grant of Rs.250,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the excess due to booking of expenditure by the State Bank of Pakistan on account of reimbursement of T.T. Charges to banks on whom remittances which can not be exactly estimated.

PAC DIRECTIVE

The Committee recommended regularization of the grants with the observation that supplementary grant should have been requested for in order to avoid this irregularity.

3. **GRANT NO. 40 – SUPERANNUATION ALLOWANCES AND PENSION**
(CHARGED)
SAVING RS. 131,979,763/-

The AGPR pointed out that in charged portion the appropriation closed with a saving of Rs.131,979,763 which worked out to 31.89% of the total appropriation.

(OTHER THAN CHARGED)
Excess Rs. 5,017,944,322/-

The AGPR pointed out that in other than charged portion the grant closed with an excess of Rs.5,017,944,322 which worked out to 14.20% of the total grant.

The PAO explained that the correct estimation of budget of pension be made as it is very difficult to make assessment as to how many government servants shall take retirement during particular year. All pensioners do not receive pension on monthly basis regularly but some of them drawn pension after different spells; some pensioners especially in far flung areas.

PAC DIRECTIVE

The Committee observed that accounts were not scientifically estimated and AGPR should set examples for other departments. On the assurance of AGPR that the system has been streamlined now, the Committee recommended regularization of the grant.

4. i. **GRANT NO. 41 – GRANTS-AID AND MISCELLANEOUS ADJUSTMENT BETWEEN THE FEDERAL AND PROVINCIAL GOVERNMENTS (CHARGED)**

The AGPR pointed out that in charged portion the appropriation was fully utilized.

(OTHER THAN CHARGED)
SAVING RS.3,052,837,000/-

The AGPR pointed out that in other than charged portion the grant closed with a saving of Rs.3,052,837,000/- which worked out to 15.07% of the total grant. An amount of Rs.2,651,687,000/- (13.10%) was surrendered leaving net saving of Rs.401,150,000/- (1.98%). A supplementary grant of Rs.250,000,000/- was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that surrender of Rs.426,150,000. Order was issued on 30-6-2003, however, it was not accounted for in appropriation accounts.

ii) **GRANT NO. 42 –SUBSIDIES AND MISCELLANEOUS EXPENDITURE**
SAVING RS. 8,055,210,525/-

The AGPR pointed out that the grant closed with a saving of Rs.8,055,210,525 which worked out to 5.91% of the total grant. An amount of Rs.9,746,410,970 (7.16%) was surrendered resulting into net an excess of Rs.1,691,200,445 (1.24%). A supplementary grant of Rs.2,200,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that non accountal of surrender of Rs. 400,000,000. The said surrender order was issued on 29-6-2003, after codal date i.e 15-05-2003, therefore it was not accounted for in appropriation accounts.

iii) **GRANT NO. 117 –FEDERAL MISCELLANEOUS INVESTMENT**
SAVING RS. 272,374,000/-

The AGPR pointed out that the grant closed with a saving of Rs.272,374,000 which worked out to 0.80% of the total grant. An amount of Rs.1,272,372,000 (3.74%) was surrendered resulting into an excess of Rs.999,998,000 (2.94%). A supplementary grant of Rs.1,000,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that :

- i. Equity in Government Holding (Pvt) Ltd.
- ii. Equity in USC.
- iii. Equity in PIAC.
- iv. GOP Equity on WAPDA for Conversion of loan into equity.

iv) **GRANT NO. 118 –OTHER LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT(CHARGED)**
SAVING RS.676/-

The AGPR pointed out that in charged portion the appropriation closed with a saving of Rs.676.

(OTHER THAN CHARGED)
SAVING RS.739,952,507/-

The AGPR pointed out that in other than charged portion the grant closed with a saving of Rs.739,952,507/- which worked out to 3.36% of the total grant. An amount of Rs.653,381,518/- (2.97%) was surrendered leaving net saving of Rs.86,570,989/- (0.39%).

The PAO explained that saving was due to non drawal of advances (House Buildings and Conveyance Allowances) by the government employees.

PAC DIRECTIVE

On grant No. 118 the Committee observed that employees of the Federal Government keep on making requests for sanction of advances and have to wait for months but funds are not released to them and here instead surrender has been made and that too not in time. On the assurance of the PAO that the system has improved now the Committee recommended regularization of the above grants.

5. i) **GRANT NO. 128 – DEVELOPMENT EXPENDITURE OF FINANCE DIVISION**
SAVING RS. 2,814,009,950/-

ii) **GRANT NO. 152 –CAPITAL OUTLAY ON FEDERAL INVESTMENT**
EXCESS RS. 209,500,000/-

iii) **GRANT NO. 153 – DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT**
OTHER THAN CHARGED:
EXCESS RS. 1,635,520,000/-

- iv) **SERVICING OF DOMESTIC DEBT (SDD)**
SAVING RS. 24,937,211,407/-
- v) **REPAYMENT OF DOMESTIC DEBT (RDD)**
SAVING RS. 265,442,797,786/-
- vi) **AUDIT**
SAVING RS. 13,263,842/-

PAC DIRECTIVE

The Committee recommended regularization of the grants with the direction to the PAO that a report should be submitted to the Committee explaining the measures that have been taken to streamline the system of domestic debt.

- 6. i. **DEMAND NO. 37-PAKISTAN MINT (2002-03)**
- ii. **DEMAND NO. 38- NATIONAL SAVINGS (2002-03)**

PAC DIRECTIVE

The Committee settled the above grants with the observation that the surrender should have been made in time.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03

ZARAI TARAQIATI BANK LIMITED

- 7. **PARA-69 (PAGE 84-A.R-2002-03)**
GRANT OF LOAN AMOUNTING TO RS. 13.568 MILLION AGAINST
UNCULTIVABLE LAND

The Audit pointed out that in Lotli Loharan Branch of the bank, loans amounting to Rs.13.568 million were disbursed to 61 residents of various villages for tractors, potato crop, dairy farming and agricultural implements during the period 1997 to 2001 against a collateral of uncultivable land. The mortgaged land against these loan cases were located in the rivers "Rawi and Chenab". Documents relating to the loanees/guarantors and status of lands were not scrutinized and verified by the management. Except a few, all the loanes went into default. Due to non payment of due installments by these defaulters, the default amount increased to Rs.14.855 million as on June 30, 2003. The employees were served with charge sheets for bogus loaning with statement of number of cases dealt by them.

The PAO explained that the disciplinary proceedings have been completed in the case. A high level committee has been constituted by the President ZTBL for

effecting recovery of bank's outstanding amount. Moreover, the case is under process with NAB. Next date of hearing is 25-7-2011.

PAC DIRECTIVE

The above case has to be considered by DAC for consultation with NAB officials before presentation of a report in the next meeting of PAC.

SMALL AND MEDIUM ENTERPRISES BANK LTD

8. i. **PARA-72&72.1 (PAGE 86-A.R-2002-03)**
NON RECOVERY OF LOANS: NON RECOVERY OF RS. 304.956
MILLION IN 801 LOAN CASES
- ii. **PARA-73 (PAGE 87-A.R-2002-03)**
OVER DUE LOANS OF RS. 9.939 MILLION DUE TO INSUFFICIENT
FOLLOW UP

PAC DIRECTIVE

The above Paras have to be considered by DAC before discussion in the next meeting of PAC.

9. **PARA-74 (PAGE 87-A.R-2002-03)**
LOAN OF RS. 39.400 MILLION DUE TO INVESTMENTS IN ASSETS
INVESTMENT BANK LTD (AIBL), ISLAMABAD

The Audit pointed out that in contravention of the instructions of Finance Division the management of Regional Development Finance Corporation (Defunct) invested Rs.20 million with AIBL, Islamabad in May and October, 1996. The investment was not in order as per Finance Division O.M. No. 6 (4) BR.II/96-Vol-III-424 dated 31-05-1997. According to which surplus funds of Public Sector Enterprises can only be invested in various saving schemes introduced by Central Directorate of National Savings, Federal Investment Bonds or in any government security. The principal amount of Rs. 20 million and mark up accrued to Rs. 15.781 million upto December 31, 2001 remained outstanding against AIBL since maturity of the investment in 1997 and was provided as doubtful debt in the audited accounts of RDFC as on December 31, 2001. A further loss of markup amounting to Rs. 3,619 million was also worked out by the auditors upto September 30, 2002.

The PAO explained that the partial repayments were made by AIBL from time to time. The last of these payment was made of February 2,1998. During this period a sum of Rs.5 million was repaid towards principal leaving a total outstanding principal of Rs.20 million. RDFC management made all possible efforts to recover the outstanding balance through consistent follow up. As a last resort,

RDFC had lodged formal complaints with SBP and SECP vide its letter dated May 19, 1998 and July 26, 2001. The intervention of the regulators was sought for recovery of overdue balances. However, all these efforts could not materialize. AIBL has defaulted and dishonored its obligations. The PAO further explained that the loan account inherent from defunct SBFC & RDFC have been assigned to NBP since July, 2010.

PAC DIRECTIVE

The Committee remanded the Para to DAC for consideration specifically on the following points:

- i. Authorization to make investment.
- ii. What are the prospects of recovery of this investment?
- iii. Consideration of Audits' stance on the prudence of this investment.

The Para would be brought back for decision in the next meeting.

10. PARA-75 (PAGE 88-A.R-2002-03) PAYMENT OF BONUS AMOUNTING TO RS. 20.391 MILLION

The Audit pointed out that in accordance with Government of Pakistan, Finance Division (Regulation Wing) O.M No.F.3 (5) R.12/180 (R-14) Vol-II/2001/544, dated November, 30, 2001, bonus cannot be paid to the employees of autonomous bodies/semi-autonomous bodies/ Corporations without the approval of Finance Division (Regulation Wing). In contravention to Finance Division's instructions a payment of Rs.20.391 million was made to the employees of the Bank for the period ending December 31, 2002 as bonus. Payment was made with the approval of the Board of Directors.

The PAO explained that the SME Bank is a public limited company registered under the Companies Ordinance, 1984. It is also governed under Banks Nationalization Act (BNA) 1974 (as amended in 1997). In accordance with section 11(4) & (s) of BNA 1974, the general direction and superintendence of the affairs of the bank and overall policy making in respect of its operations shall vest in its Board. Further, decisions regarding remuneration and benefits for employees are to be made by the President in accordance with the evaluation criteria and personal policies determined by the Board. Thus, Board of Director (BOD) is the competent forum to approve pay and allowances and other fringe benefits for employees of the Bank. The BOD of SME Bank, in its 11th meeting held on 28-3-2003, accorded approval for payment of bonus for the year 2002 to all bank employees as an incentive for their efforts in achieving targets and earning profits the year. The BOD being competent under the law accorded approval for the bonus; hence, the question of its further approval from the Ministry is not in place.

PAC DIRECTIVE

The Committee directed the PAO to explain whether the Board of Directors of autonomous bodies can take financial decisions according to the rules and regulations of their Board but which are not in conformity with various instructions issued by the Finance Division. The Para was pending till next meeting and a report should be submitted to the Committee on this general policy matter within one month. The same would then be taken to the main PAC for consideration.

11. i. **PARA-77 (PAGE 90-A.R-2002-03)**
NON RECOVERY OF RS. 2.555 MILLION
- ii. **PARA-78 (PAGE 90-A.R-2002-03)**
EMBEZZLEMENT OF RS. 627,000 by Branch Manager

PAC DIRECTIVE

The Committee endorsed recommendation of the DAC for settlement of the above Paras.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03

EQUITY PARTICIPATION FUND

12. **PARA-52.3 (PAGE 71-ARPSE-2002-03)**

PAC DIRECTIVE

The Committee settled the Para.

13. i. **PARA-52.A (PAGE 71-ARPSE-2002-03)**
- ii. **PARA-53 (PAGE 72-ARPSE-2002-03)**
NON RECOVERY OF EPF DUES AMOUNTING TO RS. 1.676 MILLION
FROM THE CLIENT
- iii. **PARA-54 (PAGE 73-ARPSE-2002-03)**
LOSS OF RS. 550.000 DUE TO NON OBTAINING OF TANGIBLE
SECURITY

PAC DIRECTIVE

The Committee remanded the above three Paras to DAC and directed the PAO to identify the cases where recovery could be made irrespective of the winding up, the other cases should be dealt with in accordance with rules. Report in this regard should be submitted to the Committee within one month.

HOUSE BUILDING FINANCE CORPORATION

14. i. **PARA-56.1 (PAGE 74-ARPSE-2002-03)**
INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN
- ii. **PARA-59 (PAGE 76-ARPSE-2002-03)**
LOSS OF RS. 19.511 MILLION DUE TO LESS REALIZATION OF DECEED AMOUNT
- iii. **INVESTMENT CORPORATION OF PAKISTAN**
PARA-62.5 (PAGE 79-ARPSE-2002-03)

PAC DIRECTIVE

The Committee settled the above three Paras.

15. i. **PARA-63 (PAGE 79-ARPSE-2002-03)**
NON RECOVERY OF LOAN AMOUNTING TO RS. 11.118 MILLION
- ii. **PARA-65 (PAGE 81-ARPSE-2002-03)**
IRREGULAR DISBURSEMENT OF RS. 24.960 MILLION TO THE BORROWER CAUSING LOSS OF RS. 7.210 MILLION

PAC DIRECTIVE

The Committee clubbed the above two Paras with other CIRC cases and directed to put up a report within one month.

16. **PARA-64 (PAGE 80-ARPSE-2002-03)**
NON RECOVERY OF LOAN OF RS. 7.663 MILLION DUE TO INSUFFICIENT SECURITY

PAC DIRECTIVE

The Committee directed the PAO to follow up the case vigorously.

PAKISTAN SECURITY PRINTING CORPORATION (PVT) LIMITED

17. **PARA-67.2 (PAGE 83-ARPSE-2002-03)**

PAC DIRECTIVE

The Committee settled the Para subject to verification by Audit.

FINANCE DIVISION

ACTIONABLE POINTS

Actionable points arising out from discussion of PAC meeting held on 26th October, 2017 while examining the Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Finance are given below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEARS 2002-03 **MINISTRY OF FINANCE**

EQUITY PARTICIPATION FUND

1. i) **PARA-52-A PAGE-71 (ARPSE-2002-03)**
NON RECOVERY OF EQUITY SUPPORT OF RS.2.366 MILLION

Audit pointed out that Equity Participation Fund (EPF) sanctioned an equity support of Rs.1.00 million to M/s Figresh Board Mills on July 7, 1982 to establish a medium quality straw board-manufacturing unit at Nowshera against which Rs.800,000 were disbursed during 1982 to 1986. The equity support was secured against share sale agreement and buy back guarantee. The guaranteed dividend was 13% per annum and buy back equity was due on June 28, 1990. The party paid only Rs.271,000 and EPF filed a suit in Banking Court Peshawar for recovery of Rs.2.544 million. The case was decreed in favor of EPF for Rs.2.544 million on August 4, 1998. However, the management of EPF did not file the execution petition.

PAO informed that recovery was not possible and 100% provisions has been created against the outstanding amount. EPF had received a sum or Rs.0.271 million against disbursed amount of Rs.0.800 million from this account. This equity support was sanctioned 35 years back and remained in litigation for 19 years. Out of two guarantors/directors, one had died long ago as per record of EPF.

ii) **PARA-53 PAGE-72 (ARPSE-2002-03)**
NON RECOVERY OF EPF DUES AMOUNTING TO RS.1.676 MILLION
FROM THE CLIENT

iii) **PARA-54 PAGE-73 (ARPSE-2002-03)**
LOSS OF RS.550,000 DUE TO NON-OBTAINING OF TANGIBLE
SECURITY

PAC DIRECTIVE

The Committee clubbed the above three paras and settled subject to verification of record by the Audit.

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN

2. PARA-60 PAGE-77 (ARPSE-2002-03) NON-RECOVERY OF RS. 12.604 MILLION FROM DEFAULTER

Audit pointed out that in Industrial Development Bank of Pakistan (Regional Office) Karachi, a foreign currency loan equivalent to Pak Rs. 8.613 million was disbursed to M/s. Fountain Blue Textile Mills Limited in 1987 and was recoverable within a period of 12 years. The loan was got secured against mortgage of property and assets valued by IDBP at Rs. 12.720 million. The loanee defaulted in the repayment of the loan and not a single installment was paid. Hence, IDBP filed a recovery suit for Rs. 13.029 million in the High Court of Sindh in 1991. The Court decreed for auction of property and assets on April 20, 1992. An amount of Rs. 0.425 million was realized on auction of plant and machinery. The recovery of remaining amount of Rs. 12.604 million from auction of mortgaged property and remaining assets, having assessed value of Rs. 2.608 million seems impossible as these assets were in deteriorated condition and the management had failed to dispose of the items for the last 7 years. IDBP had to sustain a loss of Rs. 12.604 million.

PAO informed that there was total pending loan of Rs.6 million and the mortgage plot was auctioned in Rs.1.1 million. Only 1.56 million has been recovered. The case was referred to a tracer company namely M/s International Credit Information Limited for tracing out the assets of the directors but according to their report no property existed in the name of directors. He added that after auction of project land no tangible assets are available for auction therefore the pending amount only could be written off.

PAC DIRECTIVE

The Committee referred the para to the DAC for re-examination. The DAC must be headed by the Principal Accounting Officer.

INVESTMENT CORPORATION OF PAKISTAN

3. PARA-64 PAGE-80 (ARPSE-2002-03) NON-RECOVERY OF LOAN OF RS. 7.663 MILLION DUE TO INSUFFICIENT SECURITY

Audit pointed out that investment Corporation of Pakistan granted financial assistance of Rs. 4.10 million to M/s K.J. Vegetable Oil Limited through I.C.P. led consortium without obtaining adequate security during 1982 to 1986. The Debentures of Rs. 100,000 disbursed were also repayable in 12 installments upto 1989. Similarly, the Long Term – Term Finance Certificates of Rs. 3 million disbursed in March, 1998 were repayable in 12 half yearly installments of Rs. 507,000 up to 1994. A bridge loan of Rs. 1.00 million was also repayable in lump

sum. The borrower failed to follow the repayment schedule and went into default. Investment Corporation of Pakistan (ICP) filed a recovery suit for Rs. 10.26 million in the Peshawar High Court on June 19, 1996.

PAO informed that with the efforts of department an amount of Rs.2.697 million has been received on the order of High Court Peshawar. And for the recovery of Rs.10.714 million the matter is pending in banking court No.V Karachi. Till now 115 hearings of the case has been done.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to pursue the case vigorously.

ZARAI TARAQIATI BANK LIMITED

4. **PARA-69 ARPSE-2002-03**
GRANT OF LOAN AMOUNTING TO RS. 13.568 MILLION AGAINST
UNCULTIVABLE LAND.

PAC DIRECTIVE

The Committee pended the para due to the unavailability of the Chairman ZTBL.

SMALL AND MEDIUM ENTERPRISES BANK LTD

5. i) **PARA-72&72.1 ARPSE-2002-03**
NON RECOVERY OF LOANS
NON RECOVERY OF RS. 304.956 MILLION IN 801 LOAN CASES.

Audit pointed out that the SME Bank Cantt Branch, Lahore disbursed loans of Rs. 154.352 million against various schemes which could not be recovered. An amount of Rs. 304,956 million as on June 30, 2003 was outstanding in these loan cases. Recovery of these loans at this belated stage appears doubtful, as the loanees have not availed any kind of concessions and relief packages introduced/offered during last couple of years.

PAO informed that the said portfolio was transferred from SME Bank to National Bank of Pakistan (NBP). The assignment of recovery of the amount was outsourced and Rs.51 million has been recovered. Recovery of Rs. 3.99 million is still pending. It is expected that 25% of the amount will get recovered by the end of December 2017.

ii) **PARA-73 ARPSE-2002-03**
OVERDUE LOANS OF RS. 9.939 MILLION DUE TO INSUFFICIENT FOLLOWUP

iii) **PARA-77 ARPSE-2002-03**
NON-RECOVERY OF RS. 2.555 MILLION.

PAC DIRECTIVE

The Committee pended the above clubbed four paras and directed the PAO to prepare a time frame plan in the form of a detailed chart explaining the mechanism of recovery and submit it to the Audit within fifteen days.

6. **PARA-74 ARPSE-2002-03**
LOSS OF RS. 39.400 MILLION DUE TO INVESTMENTS IN ASSETS INVESTMENT BANK LTD (AIBL) ISLAMABAD.

Audit pointed out that Regional Development Finance Corporation (RDFC) (Defunct) invested Rs. 20 million with AIBL, Islamabad violating the instructions/orders of Finance Division. A further loss of markup amounting to Rs.3.619 million was also worked out by the auditors upto September 30, 2002. Audit added that the AIBL became defaulter and was renamed as Invest Capital Investment Bank Limited (ICIBL).

PAO informed that total amount was of Rs.95 million and Rs.99.08 million has been recovered. The shares of valuing approximately Rs.2 million are owned by the bank which can be sold. A report on the issue has already been submitted to the Audit.

PAC DIRECTIVE

The Committee pended the para.

PARAS RECOMMENDED FOR SETTLEMENT

7. i) **PARA-75 ARPSE-2002-03**
PAYMENT OF BONUS AMOUNTING TO RS. 20.391 MILLION

ii) **PARA-78 ARPSE-2002-03**
EMBEZZLEMENT OF RS. 627,000 BY BRANCH MANAGER.

PAC DIRECTIVE

The Committee settled the above two paras on the recommendation of the DAC.

M/O FOREIGN AFFAIRS

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Foreign Affairs was examined by the PAC on 10th August, 2011 & 1st November, 2017.

- 3 grants & 44 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 07 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 10th August, 2011 has also been made part of the report.

M/O FOREIGN AFFAIRS

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 10th August, 2011 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Foreign Affairs are given below:-

APPROPRIATION ACCOUNTS OF M/O FOREIGN AFFAIRS VOL-V,2002-03

1. i) GRANT NO. 55 FOREIGN AFFAIRS DIVISION (HEAD QUARTERS)

AGPR pointed out that there was overall saving of Rs. 19,799,373/- against final grant of Rs. 350,379,000/- which comes to 5.65% of the grant. This amount could not be surrendered due to the reasons that some of the expenditure was expected to be carried out to meet exigencies and unforeseen expenditure.

The PAO explained the following reason of savings:-

- i) Saving was due to non filling of vacant posts in Ministry
- ii) Excess was due to;
 - a) Pending payments were made by the Ministry in connection with the installation of elevators
 - b) Purchase of official vehicles by the Ministry.
- iii) Saving was occurred due to economy measures by the Ministry
- iv) Excess was due to the cases for payment of Gratuity and Pension

ii) GRANT NO. 56 FOREIGN AFFAIRS DIVISION (MISSION ABROAD)

AGPR pointed out that there was overall saving of Rs. 192,443,823/- against final grant of Rs. 3,526,626,000/- which comes to 5.46% of the grant. The savings related to more than 100 Missions abroad and 5.46% is accumulative amount. It often becomes difficult to foresee the expenditure under various heads. The Mission keeps a small amount for exigencies and that amount if unspent result into saving. The accumulative effect under the demand is only 5.46% which is negligible.

The PAO explained the following reason of savings:-

- i) Due to the reduction of the strength of our Mission in New Delhi in the wake of terrorist attack on Indian Parliament as well as vacant posts of Ambassadors, other officers and staff because of pending pre-departure formalities and other problems.

- ii) Due to the expenditure on purchase of machinery/equipment and furniture & fixture was kept to the barest minimum.
- iii) Due to payment of installment and interest to the Company regarding construction of Chancery building in Washington.
- iv) Due to the exorbitant charges of repairs/maintenance in Pak Mission abroad specially European countries. The main excess occurred on the frequent repairs of HOM's Cars/staff cars and old machinery & equipment.
- v) Due to observance of maximum economy measures by Pak Missions abroad in utilization to funds.
- vi) The main reason for savings under this head was due to the Ministry's instructions to observe maximum austerity on holding Pakistan Day functions by the Pak. Missions Abroad.

PAC DIRECTIVE

The Committee observed that supplementary grant had been obtained but savings had occurred, which had not been surrendered in time too. The Committee further observed that the whole purpose of economy measures adopted by design at that time is defeated if amounts are not surrendered in time in order to allocate them for some other useful purpose. The Committee expressed its displeasure at the extremely poor financial management by the Ministry and with these observations recommended the grant for regularization and expected that this sort of bad financial management would not recur in the future years.

iii) **GRANT NO. 57 OTHER EXPENDITURE OF FOREIGN AFFAIRS DIVISION**

AGPR pointed out that there was overall saving of Rs. 144,526,581/- against final grant of Rs. 1,175,119,900/- which comes to 12.30% of the grant. The saving under this demand constituting 10.00%

The PAO explained the reasons as under:-

The excess in charged portion was due to the fact of political Development in the region. The President under to various visits abroad owing to the regional situation & saving in other than charged portion was due to less expenditure incurred on Pakistan Delegations abroad and because the Envoy Conferences was postponed to the next year. Moreover, less expenditure on demarcation of Pak –India boundary lines. Due to less demand for Pakistan's share to UN and other International Organization. Excess was due to more visits of Prime Minister than expected at the time of Budget formulation.

PAC DIRECTIVE

The Committee settled the grants. The Committee however observed that while considering another Para of similar nature of the year 1992-93 regarding irregular expenditure during Prime Minister's visit to the U.S.A the PAO had informed the Committee that in accordance with the directive of the PAC, the Ministry had moved two Summaries to the Prime Minister for formulating a policy regarding composition and size of delegations accompanying the President and the Prime Minister on foreign tours and also requested to define certain parameters regarding entitlement and privileges of the official delegations as well. The Committee directed the PAO to submit a copy of policy decision in this regard to the Committee.

AUDIT REPORT ON THE ACCOUNTS OF M/O FOREIGN AFFAIRS AND PAKISTAN MISSIONS ABROAD FOR THE YEAR 2002-3

2. i. **PARA NO.1.1-PAGE 11 AR
EXPENDITURE AMOUNTING TO RS.134.178 MILLION IN EXCESS OF
BUDGET PROVISION AND NO BUDGETARY COVER PROVIDED
DESPITE HUGE SURRENDER BY MINISTRY OF FOREIGN AFFAIRS**
- II. **PARA NO.1.2-PAGE 12 AR
NON-ADJUSTMENT OF ADVANCES MADE TO INDIVIDUALS-
RS.22.630 MILLION**
- III. **PARA NO.1.3-PAGE 14 AR
RS.876 MILLION PAID IN EXCESS OF ENTITLEMENT OF THE
OFFICERS/OFFICIALS WORKING IN MINISTRY OF FOREIGN
AFFAIRS AND MISSIONS ABROAD**
- IV. **PARA NO.1.4-PAGE 16 AR
PAYMENT ON ACCOUNT OF PURCHASE OF FURNITURE AND
FIXTURE, MACHINERY AND EQUIPMENT FOR RS.8.368 MILLION
WITHOUT OBTAINING COMPETITIVE RATES**
- V. **PARA NO.1.5(A)-PAGE 17 AR
UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF REPAIR OF
BUILDINGS RS.3.662 MILLION**
- VI. **PARA NO.1.5 (B)-PAGE 18 AR
IRREGULAR EXPENDITURE INCURRED ON ACCOUNT OF REPAIR
OF BUILDINGS RS.1.373 MILLION**
- VII. **PARA NO.1.6-PAGE 18 AR
PURCHASES NOT TAKEN ON CHARGE/STOCK (DEAD STOCK
REGISTER (RS.3.740 MILLION)**

- VIII. PARA NO.1.7-PAGE 19 AR
UN- AUTHORIZED PAYMENT ON ACCOUNT OF RENT OF VACANT
RESIDENCES RS.3.291 MILLION
- IX. PARA NO.1.8-PAGE 20 AR
EXPENDITURE ON REPAID OF OFFICIAL VEHICLES BEYOND
COMPETENCE RS.3.169 MILLION
- X. PARA NO.1.9-PAGE 21 AR
NON-RECOVERY ON ACCOUNT OF COST OF AIR TICKET US\$
33,600 (RS.1.915 MILLION)
- XI. PARA NO.1.10-PAGE 21 AR
NON-RECOVERY OF SECURITY DEPOSIT AND ADVANCE RENT US\$
25,432 (RS.1.450 MILLION)
- XII. PARA NO.1.11- PAGE 22 AR
NON-ADJUSTMENT OF ADVANCES MADE TO OTHER DEPARTMENT
RS.1.250 MILLION
- XIII. PARA NO.1.12-PAGE 23 AR
UN-AUTHORIZED PAYMENT ON APPOINTMENT OF STAFF RS.1.100
MILLION
- XIV. PARA NO.1.13-PAGE 24 AR
DOUBLE WITHDRAWAL OF RS. 84,394 EQUIVALENT TO RS 0.159
MILLION ON ACCOUNT OF REPAIR OF HEAD OF MISSION'S CAR
- XV. PARA NO.1.14-PAGE 25 AR
UNAUTHORIZED DRAWL OF MONEY \$.2500 (RS.75,565/-)
- XVI. PARA NO.1.16-PAGE 28 AR
MAINTENANCE OF PARALLEL RECEIPT BOOKS-LOSS OF GRD
26.00 MILLION (RS.4.284 MILLION)
- XVII. PARA NO.1.17-PAGE 30 AR
WITHDRAWAL FROM NATIONAL SELF RELIANCE FUND (NSRF)
WITHOUT ANY DOCUMENTS OF ESTABLISH ITS AUTHENTIC USE
- XVIII. PARA NO.1.18 (A)-PAGE 31 AR
NON-RECOVERY OF LOANS OF RS.59.00 MILLION ADVANCED TO
OTHER MISSIONS
- XIX. PARA NO.1.20-PAGE 33 AR
LOSS OF 100 PAGES PASSPORTS (19)

XX. PARA NO.1.22-PAGE 37 AR
AGREEMENT BETWEEN PAREP MUSCAT AND MR. ARSHAD ALI
KHAN REGARDING DEATH COMPENSATIONS CASES

PAC DIRECTIVE

The Committee clubbed the above Paras and directed to report to the Committee after making full recovery within one month.

3. i. PARA NO.1.15-PAGE-27-AR
UN-AUTHORIZED BALANCES IN FUND FOR IMPROVEMENT OF
GOVERNMENT OWNED BUILDINGS (FIGOB) AND PAKISTAN
COMMUNITY WELFARE AND EDUCATION FUND (PCWEF) RS. 175.18
MILLION
- ii. PARA NO.1.18(B)-PAGE-32-AR
LOSS ON ACCOUNT OF INTEREST RS. 475,000 PER ANNUM ON
FIGOB ACCOUNT
- iii. PARA NO.1.19-PAGE-27-AR
ISSUANCE OF PASSPORTS WITHIN FOUR DAYS AT ORDINARY FEE
- iv. PARA NO.1.21-PAGE-34-AR
NON MAINTENANCE OF RECORD

PAC DIRECTIVE

The Committee endorsed recommendation of the DAC for settlement of the above (04) paras.

MINISTRY OF FOREIGN AFFAIRS

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 1st November, 2017 while examining Audit Report for the year 2002-03 pertaining to M/o Foreign Affairs are given below:-

AUDIT REPORT FOR THE YEAR 2002-03

1. **PARA 1.2, PAGE 12 AR-2002-03**
NON-ADJUSTMENT OF ADVANCES MADE TO INDIVIDUALS-RS.22.630
MILLION

Audit pointed out that TA/DA advance to the tune of Rs. 22,629,820 million was made to various individuals by various missions abroad (Vienna, Port Louis, Harare, Istanbul, Brasilia, Ankara, Rabat, Moscow, Manila, Belgrade, Brunei, U.N. New York, The Hague) as well as Ministry of Foreign Affairs during 1998-2002 but subsequent adjustment was not made violating federal treasury rules.

PAO informed that 81% recovery has been made and only 19% is pending. In ten cases, amounts will be regularized/adjusted. Now the financial rules are being implemented in letter of spirit. A system application program is in place in all missions. There are three cases which are concerned with the M/o Commerce.

PAC DIRECTIVE

The Committee directed the PAO to submit a report of the cases to the Audit/PAC which are pending along with the detail of action taken in each case within thirty days, and also submit a report about future strategy to resolve the issue.

2. **PARA 1.3 PAGE 12 AR-2002-03**
RS. 8.76 MILLION PAID IN EXCESS OF ENTITLEMENT OF THE
OFFICERS/OFFICIALS WORKING IN MINISTRY OF FOREIGN AFFAIRS
AND MISSIONS ABROAD

Audit pointed out that the Ministry of Foreign Affairs and Pakistan Missions abroad made payments worth Rs.8.76 million to officers/officials over and above their entitlement. Lists of cases are given at Annexure-II. Audit added that besides other cases an amount of Rs.1,680,548 was paid to officials/officers as full Daily Allowance (which was 15% of their basic pay) despite the fact that they did not produce hotel receipts in support of their claims. Audit apprised that the officials/officers which were granted full daily allowance were only entitled for

incidental charges (10%). Therefore the 5% amount should be recovered from them.

PAC DIRECTIVE

The Committee directed the PAO to recover the balance amount including 5% which was paid in extra in the head of daily allowance within thirty days and submit report to the Audit/PAC.

3. **PARA 1.4 PAGE 12 AR-2002-03**
PAYMENT ON ACCOUNT OF PURCHASE OF FURNITURE AND FIXTURE, MACHINERY AND EQUIPMENT FOR RS. 8.368 MILLION WITHOUT OBTAINING COMPETITIVE RATES

Audit pointed out that in different formations during the period 1998-2002 payment of Rs.8,367,907/- was made on account of purchase of furniture, fixture, computers, fax machines, photocopiers, printers, generators, refrigerator, vacuum cleaner, TV, VCR and other machinery and equipment without obtaining competitive rates and completing codal formalities.

PAC DIRECTIVE

The Committee directed the PAO to get it regularized from the competent forum, and submit a report to the Audit/PAC within thirty days.

4. **PARA 1.5(B)PAGE 18 AR-2002-03**
IRREGULAR EXPENDITURE INCURRED ON ACCOUNT OF REPAIR OF BUILDING RS.1.373 MILLION

Audit pointed out that in the three formations an expenditure of Rs.1,373,201/- was incurred on account of repair of buildings in excess of the limit imposed under the rules.

PAC DIRECTIVE

The Committee settled the para subject to regularization of expenditure by the competent authority, and verification by the Audit.

5. **PARA 1.10PAGE 21 AR-2002-03**
NON-RECOVERY OF SECURITY DEPOSIT AND ADVANCE RENT US\$25,432(RS.1.450 MILLION)

Audit pointed out that in four cases in Pakistan Missions Abroad an amount of US\$ 25,432.18 (Rs.1, 449,634) was paid on account of advance rent and Security Deposit to the Land Lords. The houses were de-hired but the landlords did not refund amounts paid as advance / security. It was the responsibility of the

occupant to get the amount of security deposit refunded on vacation of their residences. Non-recovery was pointed out to Mission/Ministry but no action to affect the recovery has been taken so far.

PAO informed that the house vacated by the Officer at Ankara was occupied by M/o Defense Pakistan and amount will be adjusted with M/o Defense. In other cases the amounts has been regularized/settled.

PAC DIRECTIVE

The Committee directed the PAO to get the record of recovery verified by the Audit within thirty days.

6. **PARA 1.16 PAGE 28 AR-2002-03**
MAINTENANCE OF PARALLEL RECEIPT BOOKS-LOSS OF GRD 26.00
MILLION (RS.4.284 MILLION)

Audit pointed out that in Parep Athens more than one receipt books had exactly the same serial numbers and were being used simultaneously during the period 1998-99. These books were printed by the mission privately. Printing and operating "Parallel" receipt books having the same serial numbers is a forgery and speaks volumes about the authenticity of the receipt figures being reported by the mission. It was also found that proceeds of the majority of "parallel" receipt books were not being deposited with the bank by the Consular section. No record of the applications against these receipts was available in the Mission. Audit team found 29 pairs of receipt books of the same numbers in the mission whereas a large number of such books were reportedly destroyed by the then HOM, HOC and Accountant of the mission during 1998-99.

PAO informed that the matter was properly inquired and FIR was logged. Two responsible officers Mr. Rashid Ahmed, Former Ambassador and Sheikh Saulat Tanweer, Assistant were compulsory retired from government service, Mr. Ali MardanRahoojo and Syed Shahid Hussain, Accountant were dismissed from service. Efforts are being made to effect recovery from the responsible officers/officials through land revenue act.

PAC DIRECTIVE

The Committee settled the para.

PARAS RECOMMENDED FOR PURSUANCE AT DAC LEVEL

7. i. **PARA 1.1 PAGE 11 AR-2002-03**
EXPENDITURE AMOUNTING TO RS.134.178 MILLION IN EXCESS OF
BUDGET PROVISION AND NO BUDGETARY COVER PROVIDED
DESPITE HUGE SURRENDER BY MINISTRY OF FOREIGN AFFAIRS

- ii. PARA 1.12 PAGE 23 AR
UN-AUTHORIZED PAYMENT ON APPOINTMENT OF STAFF RS.1.100 MILLION
- iii. PARA 1.13PAGE 24 AR
DOUBLE WITHDRAWAL OF MRS 84,394 EQUIVALENT TO RS 0.159 MILLION ON ACCOUNT OF REPAIR OF HEAD OF MISSION'S CAR
- iv. PARA 1.14PAGE 25 AR
UNAUTHORIZED DRAWL OF MONEY \$.2500 (RS.75,565/-)
- v. PARA 1.5(A) PAGE 17 AR
UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF REPAIR OF BUILDINGS RS.3.662 MILLION
- vi. PARA 1.7 PAGE 19 AR
UN-AUTHORIZED PAYMENT ON ACCOUNT OF RENT OF VACANT RESIDENCES RS.3.291 MILLION
- vii. PARA 1.8PAGE 20 AR
EXPENDITURE ON REPAIR OF OFFICIAL VEHICLES BEYOND COMPETENCE RS. 3.196 MILLION
- viii. PARA 1.18(A) PAGE 31 AR
NON-RECOVERY OF LOANS OF RS.59.00 MILLION ADVANCED TO OTHER MISSIONS
- ix. PARA 1.20 PAGE 33 AR
LOSS OF 100 PAGES PASSPORTS (19)

PAC DIRECTIVE

The Committee remanded back the above nine paras to the DAC for reexamination and directed the PAO to submit report to the Monitoring and Implementation Sub-Committee of PAC.

PARAS RECOMMENDED FOR SETTLEMENT ON THE RECOMMENDATION OF DAC

- 8. i. PARA 1.11PAGE 22 AR
NON-ADJUSTMENT OF ADVANCES MADE TO OTHER DEPARTMENTS RS. 1.250 MILLION
- ii. PARA 1.6PAGE 18 AR
PURCHASES NOT TAKEN ON CHARGE/STOCK (DEAD STOCK REGISTER) (RS.3.740 MILLION)

- iii. PARA 1.9 PAGE 21 AR
NON-RECOVERY ON ACCOUNT OF COST OF AIR TICKET US\$33,600
(RS.1.915 MILLION)
- iv. PARA 1.17PAGE 30 AR
WITHDRAWAL FROM NATIONAL SELF RELIANCE FUND (NSRF)
WITHOUT ANY DOCUMENTS TO ESTABLISH ITS AUTHENTIC USE
- v. PARA 1.22PAGE 37 AR
AGREEMENT BETWEEN PAREP MUSCAT AND MR. ARSHAD ALI
KHAN REGARDING DEATH COMPENSATION CASES

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

M/O HOUSING AND WORKS

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Housing and Works was examined by the PAC on 20th January, 2015.

- 02 grants and 13 Audit Paras were presented by the Audit Department which were examined by the Committee. Out of which 02 grants and 08 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In one para the PAO was directed to refer the case to NAB for investigation.

M/O HOUSING AND WORKS

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 20th January, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the years 2002-03 pertaining to Ministry of Housing and Works are given below:

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. i. **GRANT NO.61 - HOUSING AND WORKS DIVISION**
NET EXCESS RS. 32,743,696/-

The AGPR pointed out that the grant closed with an access of Rs. 32,743,696/ which works out to 35.9% of the total grant. An amount of Rs. 3,599,894 (3.94%) was surrendered increasing net access to 36,34,35,90 (39.84%). A supplementary grant of Rs. 37,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed that the excess incurred due non-inclusion of the supplementary grant.

ii. **GRANT NO.62-CIVIL WORKS**
NET EXCESS RS. 37,486,240/-

PAC DIRECTIVE

The Committee recommended the above two grants for regularization and presentation in the next budget session for approval.

2. **GRANT NO.63 - ESTATE OFFICES**
NET SAVING RS.1,309,626/

The AGPR pointed out that the grant closed with a saving of Rs. 1,309,626 which works out to 0.12% of the total grant.

PAC DIRECTIVE

The Committee regularized the saving in the above grant.

AUDIT REPORT FOR THE YEAR 2002-03

(PAK. PWD & ESTATE OFFICE)

3. **PARA NO. 1.1 PAGE-09 AR-2002-03**
OVERPAYMENT OF RS. 4.811 MILLION DUE TO FAKE MEASUREMENTS

Audit pointed out that paras 127 (6) and 129 (i) of Central Public Works Department Code provide that payment for all work done should be made on the basis of measurements recorded in Measurement Book in accordance with work actually done at site; measured in person by the Sub Divisional Officer. He will be responsible for the general correctness of the bill as a whole. In violation of the rules an over payment of Rs. 4.811 million was made. Escalation was made three times which is not permissible in the lump sum contract. The PAO replied that the enhancement was made with the approval of Ministry of Housing and Works. The PAO could not quote the rules vide which the enhancement was allowed by the Ministry of Housing and Works.

PAC DIRECTIVE

The Committee constituted an enquiry committee under the Chairmanship of Mian Abdul Mannan, MNA to probe the issue and the para will be considered in the light of the recommendation of DAC.

4. i. **PARA NO. 1.2 PAGE-10 AR-2002-03**
NON-RECOVERY OF STANDARD RENT OF RS. 2.870 MILLION DUE TO UN-AUTHORIZED RETENTION OF GOVERNMENT OWNED HOUSE.

Audit stated that under rule 19 (1) of Pakistan allocation rules 1993; in case an accommodation is occupied or retained un-authorized, the Estate office shall charge standard rent from the occupants for the period of unauthorized occupation or retention and shall take steps to evict him expeditiously. Nineteen government residences of various categories under Estate Office were occupied by employees of Police, IB, Customs department and private persons since the year 1993 without payment of standard rent and this resulted in unauthorized occupation of government residences and non-recovery of Rs. 2.780 million. Besides this standard rent from the unauthorized occupants of a government residence Rs. 0.090 million was not recovered.

PAO replied that due to non-availability of Police force and non cooperation by the Police department the government flats could not be vacated. They are neither vacating the flats nor paying rent. PAO did not told about the other illegal occupants not belonging to Police Department. The Committee clubbed the para with para no. 2.1

ii. **PARA NO. 2.1 PAGE-10 AR-2002-03**
LOSS OF RS. 394, 616 DUE TO IRREGULAR HIRING FOR EMPLOYEES OF NON-ENTITLED DEPARTMENTS

Audit stated that under Rules of Business of Government of Pakistan letter no. F.12/1/92- E-V dated 22.03.1992, all the estate officers are

empowered to hire private houses for federal government servants of entitled departments. But violating the rules the Estate Officers hired houses for the employees of non-entitled departments which resulted a loss of Rs. 0.319 million and Rs. 0.076 respectively.

PAO replied that the record of Estate Office Islamabad has been burnt in Lal Masjid incident in July 2007 & being reconstructed. He further told that now record is being computerized up to February 2015.

PAC DIRECTIVE

The Committee clubbed the above two paras (Para 1.2 and Para 2.1) and referred the paras to the NAB for complete enquiry and take action against the illegal occupants and the officers/officials of Estate Office who allowed them to occupy the government flats illegally.

5. **PARA NO. 3.1 PAGE-13 AR-2002-03**
IRREGULAR EXPENDITURE OF RS. 1.155 MILLION FROM GOVERNMENT RECEIPT

Audit pointed out that as per rule-7 (i) Section -V of Federal Treasury Rules (Volume-I) all moneys received by or tendered to Government officers on account of the revenues of the Government shall without undue delay be paid in full into a treasury / bank. But violating the said rule, Pakistan Public Works Department, Islamabad did not deposit the government receipts (Received on account of Sui Gas charges from Government Colonies at Chaklala and Mughalabad) into government account but the receipts were utilized towards expenditure without the sanction of competent authority. This violation resulted in unauthorized expenditure of Rs. 1.155 million during June 2002. The Committee was apprised that an enquiry was ordered but its findings are still awaited.

PAO replied that according to findings of enquiry the recovery was not a regular government receipt hence no irregularity was committed and it was in the favor of government to avoid disconnection of utilities connections.

PAC DIRECTIVE

The Committee remanded the para to DAC after regularization from a proper forum within one month.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2002-03

NATIONAL CONSTRUCTION LIMITED

6. **PARA-88.2 PAGE-108 ARPSE-2002-03**
AUDIT COMMENTS

Audit pointed out that the trade debts reduced to Rs. 164.780 million as against 169.112 million during the previous year. Reduction was attributable to writing off bad debts worth Rs. 1.196 million and total written off claims/bills receivable worth Rs. 30.277 million. Provision was also made for Rs. 10.702 million and Rs. 178.661 million in trade debts and claims. The situation was further aggravated as the Company had not provided for claims disputed by the customers.

PAO replied that trade debts unsecured reduced from Rs. 169.112 Million to Rs. 164.780 Million during the previous year mainly due to early realization of stuck-up Bills/ Retention Money held by the Clients. As mentioned in Note 3(ii) to the Accounts, an amount of Rs. 20 Million was recovered during August 2003 against a claim worth Rs. 50.277 Million already fully provided. Therefore, it was reversed in the books of Accounts by Rs.30.277 Million and has no effect on Profit & Loss as well as Trade debtors of the Company. He told that bad debts will be written off from Board. He apprised the Committee that 85 % 117 million are bad debts those are from public and private sector. A huge portion is in sub judice in different courts.

PAC DIRECTIVE

The Committee directed the PAO to reconcile the amounts pertaining to public sector through Ministry of Finance and deferred the para.

UNHIGHLIGHTED PARAS

(PAK PWD & NATIONAL CONSTRUCTION LIMITED)

RECOMMENDED FOR SETTLEMENT

7. i. **PARA NO. 1.3 PAGE-10 AR-2002-03
OVERPAYMENT OF RS. 494,178 DUE TO INCORRECT RATE
ANALYSIS**
- ii. **PARA NO. 3.2 PAGE- 14 AR-2002-03
IRREGULAR AWARD OF WORK AMOUNTING TO RS. 856, 565**
- iii. **PARA NO. 4.1 PAGE 16 AR-2002-03
UNJUSTIFIED EXPENDITURE OF RS. 1.435 MILLION**
- iv. **PARA NO. 87 PAGE 107 AR-2002-03
AUDIT COMMENTS**
- v. **PARA NO. 88 PAGE 107 AR-2002-03
AUDIT COMMENTS**

- vi. PARA NO. 88.1 PAGE 107 AR-2002-03
AUDIT COMMENTS

PAC DIRECTIVE

The above six un-highlighted Audit Paras were settled by the Committee on the recommendation of Audit.

RECOMMENDED FOR PURSUANCE AT DAC LEVEL

8. i. PARA NO. 3.3 PAGE-14-15 AR-2002-03
UNJUSTIFIED/UNFAIR AWARD OF WORKS THROUGH NON-
COMPETITIVE TENDER FOR RS. 486, 520
- ii. PARA NO. 4.2 PAGE 16-17 AR-2002-03
LOSS OF RS. 924,000 DUE TO INCOMPLETE TUBE WELL BORE.

PAC DIRECTIVE

The Committee directed to pursue the above two un-highlighted Audit Paras at the DAC level.

M/O INDUSTRIES AND PRODUCTION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Industries and Production was examined by the PAC on 31st May, 2016 and 1st November, 2017.

- 05 grants, 170 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 05 grants and 158 paras were settled whereas appropriate directions were accordingly issued for the remaining paras and grants.

- In one para the PAO was directed to refer the case to NAB for investigation.

M/O INDUSTRIES AND PRODUCTION

ACTIONABLE POINTS

Actionable Points arising from the discussion during meeting of PAC held on 31st May, 2016 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o Industries and Production are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1.
 - i. **GRANT NO.65-INDUSTRIES AND PRODUCTION DIVISION**
 - ii. **GRANT NO.66-DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES**
 - iii. **GRANT NO.67-OTHER EXPENDITURE OF INDUSTRIES AND PRODUCTION DIVISION (Excess)**
 - iv. **GRANT NO.114-CAPITAL OUTLAY ON MISCELLANEOUS STORES**
 - v. **GRANT NO.156-CAPITAL OUTLAY ON INDUSTRIAL DEVELOPMENT**

PAC DIRECTIVE

The Committee recommended the above mentioned five grants for regularization.

PAKISTAN MACHINE TOOL FACTORY LIMITED

2. **PARA-93(i) PAGE-116 (ARPSE-2002-03)**
RING SPINNING FRAME PROJECT

Audit pointed out that the Pakistan Machine Tool Factory launched a programme for the establishment of manufacturing unit of Ring Spinning Frame (RSF). A licensing agreement with M/s Jingwei, a subsidiary of China National Textile Machinery Corporation, was signed on May 03, 1993 which became effective from July 22, 1993 for a period of 05 years. This period was extended for further 05 years i.e up to 2004.

Machinery valued at Rs.8.422 million was procured from M/s Jingwei of China in 1995 and capitalized in 1998-99. The requisite machinery was still lying in the display centre un-utilized since 1995. Consulting fee amounting to US\$ 186,666 (Approx Rs. 7 million) was also paid. Despite spending Rs. 15.442 million the production of Spinning Frame could not be initiated. During planning stage the cost calculation for the frame to be manufactured by PMTF showed that its cost would be more than that of a completely built imported frame. The management

did not ascertain the per annum market demand for spinning frames therefore break even could also not be worked out in terms of number of frames produced. In spite of this the project was launched which resulted in the unnecessary blockage of funds. The management stated that the work on the requisite project was not considered feasible as the local manufacturing cost would be greater than the imported units as such the project was shelved.

The PAO informed the Committee that in few months the department will dispose off the machinery as per direction of DAC.

PAC DIRECTIVE

The Committee settled the para subject to verification of disposal of machinery by the Audit.

PAKISTAN MACHINE TOOL FACTORY LIMITED

3. PARA-94(i) PAGE-117 (ARPSE-2002-03) STORES AND SPARES

Accounts of PMTF depicted procurement of stores, spares, loose tools, raw material and other stocks in early 1970's. But they could not be utilized because the customers discontinued manufacturing of certain products like Bedford trucks, CJ% Jeep and Nissan Jeep. As a result the inventories of stocks piled up. Redundant surplus stock valued at Rs.28.916 million were declared as obsolete during the year 1995-96. Board of Directors (BOD) in 2000-2001 while approving the write off redundant stores, directed to dispose these redundant stores by inviting sealed bids through a disposal committee. However the stores could not be disposed till date. In addition to the above, provision of Rs.1.474 million was made for stores during 2000-2001.

It appears that stocks were unnecessarily procured and retain without keeping in view the actual need and changing market demands and no timely efforts were made to utilize them in manufacturing. As a result stocks/tools valued at Rs.30.390 million (Rs.28.916 + 1.474 million) became obsolete.

The PAO informed the Committee that in few months the department will dispose off the machinery as per direction of DAC.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

PAKISTAN MACHINE TOOL FACTORY LIMITED

4. PARA-94(ii) PAGE-118 (ARPSE-2002-03) FINISHED GOODS INVENTORY

PMTF manufactured a number of armaments in 1995-96 for supply to Pakistan Army / Civil Armed Forces. It was noticed that 177 product valued at Rs.68.186 million and 179 Tripod valued at Rs.15.773 million could not be sold out because no order was placed by Pakistan Army / Civil Armed Forces. These items were manufactured in anticipation of orders from them. As result finished stock of special products valued at Rs.83.959 million remained stuck up leading to blockage of capital. In addition to the above a number of Machine Tools and Transmission components valued at Rs.10.190 million could not be sold.

The PAO informed the committee that in the forthcoming financial year the department will dispose off the arms as per direction of DAC.

PAC DIRECTIVE

The Committee directed the PAO to sale the armaments and get them verified by the Audit under intimation to PAC.

SIND ENGINEERING LIMITED

5. PARA-118.4 PAGE-141 (ARPSE-2002-03) AUDIT COMMENTS

Trade debts stood at Rs. 27.478 million as on June 30, 2003. Though management has made a provision of Rs. 25.556 million for doubtful debts during the year under review but it is desired to make all possible efforts for early recovery/realization of these debts.

The PAO apprised the Committee an inquiry was conducted regarding the issue of Aiwan-e-Iqbal but the responsibility was not fixed.

DAC's recommendations (19-05-2016)

i. Automobile Corp. of Pakistan.

The management apprised the DAC that both officers have been expired. DAC directed Audit to verify the death certificates of officers. DAC also directed the management to place the matter before BoD for write off the outstanding amount.

ii. New Dawn Autos

DAC already recommended the para for settlement in its meeting dated 24-08-2012.

iii. Aiwan-e-Iqbal Complex

The management apprised the DAC that an inquiry was conducted and responsibility was fixed on three officers. DAC, however noted that no action has been taken against the responsible persons so far. DAC directed the management to take up the matter with MOI&P for further action in the light of inquiry report.

iv. Miscellaneous

The management apprised the DAC that an amount of Rs.4.546 million was written off by the SEL BoD. DAC directed the management to provide write off document to Audit for verification.

The PAO informed that an enquiry has been made. He ensured that in the light of the findings of the enquiry, responsibility will be fixed and action will be taken.

PAC DIRECTIVE

The Committee settled the para except the portion of Aiwan-e-Iqbal for which an inquiry report was pending.

6. i. **PARA NO. 109 ARPSE-2002-03**
- ii. **PARA NO.110 ARPSE-2002-03**
- iii. **PARA NO.110.1 ARPSE-2002-03**
- iv. **PARA NO.110.2 ARPSE-2002-03**
- v. **PARA NO.91 ARPSE-2002-03**
- vi. **PARA NO.92 ARPSE-2002-03**
- vii. **PARA NO.92.1 ARPSE-2002-03**
- viii. **PARA NO.92.2 ARPSE-2002-03**
- ix. **PARA NO.92.3 ARPSE-2002-03**
- x. **PARA NO.92.4 ARPSE-2002-03**
- xi. **PARA NO.92.5 ARPSE-2002-03**
- xii. **PARA NO.92.6 ARPSE-2002-03**
- xiii. **PARA NO. 93(II) ARPSE-2002-03**
- xiv. **PARA NO.95 ARPSE-2002-03**

- xv. PARA NO.96 (i) ARPSE-2002-03
- xvi. PARA NO.96(II) ARPSE-2002-03
- xvii. PARA NO.97 ARPSE-2002-03
- xviii. PARA NO.98 ARPSE-2002-03
- xix. PARA NO.98(i) ARPSE-2002-03
- xx. PARA NO.98(ii) ARPSE-2002-03
- xxi. PARA NO.98(iii) ARPSE-2002-03
- xxii. PARA NO.99 ARPSE-2002-03
- xxiii. PARA NO.100 ARPSE-2002-03
- xxiv. PARA NO.101 ARPSE-2002-03
- xxv. PARA NO.101(i) ARPSE-2002-03
- xxvi. PARA NO.101(ii) ARPSE-2002-03
- xxvii. PARA NO.111 ARPSE-2002-03
- xxviii. PARA NO.112 ARPSE-2002-03
- xxix. PARA NO.112.1 ARPSE-2002-03
- xxx. PARA NO.112.2 ARPSE-2002-03
- xxxi. PARA NO.112.3 ARPSE-2002-03
- xxxii. PARA NO.113 ARPSE-2002-03
- xxxiii. PARA NO.114 ARPSE-2002-03
- xxxiv. PARA NO.114.1 ARPSE-2002-03
- xxxv. PARA NO.114.2 ARPSE-2002-03
- xxxvi. PARA NO.114.3 ARPSE-2002-03
- xxxvii. PARA NO.115 ARPSE-2002-03
- xxxviii. PARA NO.116 ARPSE-2002-03
- xxxix. PARA NO.116.1 ARPSE-2002-03
- xl. PARA NO.116.2 ARPSE-2002-03
- xli. PARA NO.117 ARPSE-2002-03
- xlii. PARA NO.118 ARPSE-2002-03
- xliii. PARA NO.118.1 ARPSE-2002-03
- xliv. PARA NO.118.2 ARPSE-2002-03
- xlv. PARA NO.118.3 ARPSE-2002-03

- xlvi. PARA NO.119 ARPSE-2002-03
- xlvii. PARA NO.120 ARPSE-2002-03
- xlviii. PARA NO.121 ARPSE-2002-03
- xlix. PARA NO.121.1 ARPSE-2002-03
- l. PARA NO.121.2 ARPSE-2002-03
- li. PARA NO.121.3 ARPSE-2002-03
- lii. PARA NO.122 ARPSE-2002-03
- liii. PARA NO.123 ARPSE-2002-03
- liv. PARA NO.124 ARPSE-2002-03
- lv. PARA NO.125 ARPSE-2002-03
- lvi. PARA NO.126 ARPSE-2002-03
- lvii. PARA NO.127 ARPSE-2002-03
- lviii. PARA NO.128 ARPSE-2002-03
- lix. PARA NO.128.1 ARPSE-2002-03
- lx. PARA NO.128.2 ARPSE-2002-03
- lxi. PARA NO.128.3 ARPSE-2002-03
- lxii. PARA NO.128.4 ARPSE-2002-03
- lxiii. PARA NO.128.5 ARPSE-2002-03
- lxiv. PARA NO.128.6 ARPSE-2002-03
- lxv. PARA NO.129 ARPSE-2002-03
- lxvi. PARA NO.130 ARPSE-2002-03
- lxvii. PARA NO.131 ARPSE-2002-03
- lxviii. PARA NO.132 ARPSE-2002-03
- lxix. PARA NO.132.1 ARPSE-2002-03
- lxx. PARA NO.132.2 ARPSE-2002-03
- lxxi. PARA NO.132.3 ARPSE-2002-03
- lxxii. PARA NO.132.4 ARPSE-2002-03
- lxxiii. PARA NO.133 ARPSE-2002-03
- lxxiv. PARA NO.134 ARPSE-2002-03
- lxxv. PARA NO.134.1 ARPSE-2002-03
- lxxvi. PARA NO.134.2 ARPSE-2002-03

- lxxvii. PARA NO.134.3 ARPSE-2002-03**
- lxxviii. PARA NO.134.4 ARPSE-2002-03**
- lxxix. PARA NO.135 ARPSE-2002-03**
- lxxx. PARA NO.136 ARPSE-2002-03**
- lxxxii. PARA NO.137 ARPSE-2002-03**
- lxxxii. PARA NO.137.1 ARPSE-2002-03**
- lxxxiii. PARA NO.137.2 ARPSE-2002-03**
- lxxxiv. PARA NO.137.3 ARPSE-2002-03**
- lxxxv. PARA NO.138 ARPSE-2002-03**
- lxxxvi. PARA NO.139 ARPSE-2002-03**
- lxxxvii. PARA NO.139.1 ARPSE-2002-03**
- lxxxviii. PARA NO.139.2 ARPSE-2002-03**
- lxxxix. PARA NO.139.3 ARPSE-2002-03**
- xc. PARA NO.140 ARPSE-2002-03**

PAC DIRECTIVE

The committee settled the above mentioned ninety Paras on the recommendation of DAC.

7. PARA-90.2, ARPSE-2002-03 **AUDIT COMMENTS**

Audit pointed out that the current assets included an amount of Rs. 27.803 million of interest receivable on loan to units. The interest was accumulating year after year but the Corporation had taken no steps toward the early recovery of this amount. The long period of outstanding interest makes its recovery doubtful. The PAO informed the Committee that the matter has been taken up at Board level and hopefully the Board will decide the issue as soon possible.

PAC DIRECTIVE

The Committee directed the PAO to take up the issue at Board of Directors (BOD) level and intimate the outcome of the Board to the Committee.

8. PARA-103.8, ARPSE-2002-03 **AUDIT COMMENTS**

Audit pointed out that the purpose of establishment of Heavy Electrical Complex was to reduce dependence of WAPDA and KESC on imported transformers.

Financial Statements of HEC depict that WAPDA and KESC are still importing transformers from abroad by incurring foreign exchange reserves of the country.

PAC DIRECTIVE

The Committee settled the para with the direction to WAPDA and DISCOS for the purchase of low cost transformers from the HEC instead of outside in the market on higher price.

**9. PARA-107.3, ARPSE-2002-03
AUDIT COMMENTS**

Audit pointed out that the Interest amounting to Rs. 12.718 million @ 14% per annum for the year ended June 30, 2003 (accumulated Rs. 95.176 million) had not been provided for on outstanding principal amounting to Rs. 86.984 million relating to customs and other imports duties. The management was of the view that interest on such a loan was to be paid by the Privatization Commission out of sale proceeds of the assets of the Company. During the last year Federal Government of Pakistan provided a loan of Rs. 309 million to PECO @ 10% markup per annum to pay off the staff through Compulsory Separation Scheme on March 04, 2002. Interest on such loan for the period of 15 months amounting to Rs. 38.625 million had not been accounted for as the Company intended to take up its waiver with Government of Pakistan. Action of the management understated the losses.

PAC DIRECTIVE

The Committee pended the para and directed the NAB to probe the case and submit inquiry report on NIT shares to the Committee.

**10. PARA-145.3, ARPSE-2002-03
AUDIT COMMENTS**

Audit pointed out that the dues from buyers of units reduced by 8.92% i.e. from Rs. 204.173 million in 2001-2002 to Rs. 184.951 million in 2002-2003. Balance confirmation against each unit could not be provided by management due to litigation with the parties. Basis and criteria against which these balances have been arrived at may be elucidated.

PAC DIRECTIVE

The Committee directed the PAO to inquire the matter in detail and visit on ground in person or depute a Committee and report therein be submitted within 30 days.

11. PARA-145.4, ARPSE-2002-03
AUDIT COMMENTS

Audit pointed out that Pursuant to the policy of the Government of Pakistan, out of 26 ghee units of GCP 19 units had already been privatized. The production in remaining 7 units was stopped since 1997 and these units were earmarked for privatization. Three ghee units out of the seven namely M/s Sargroh Vegetable Ghee Mills, Maqbool Oil Company Limited and E.M. Oil Mills had also been privatized during the year 2002-2003. Kohinoor Oil Mills was also privatized in 2004. One unit i.e. M/s Universal Oil and Vegetable Ghee Mills, Sheikhpura had been handed over to the official liquidators on February 15, 2003 on orders of Lahore High Court for final liquidation.

PAC DIRECTIVE

The Committee directed the PAC wing to call the Chairman Privatization Commission to brief the Committee regarding the Suraj Ghee Mills, Marafco and all the projects which are under the process of privatization related to the M/o Industries and Production.

- 12. i. PARA-89 & 90, PAGE-112 ARPSE-2002-03**
ii. PARA-103.5 ARPSE-2002-03
iii. PARA-105.2 ARPSE-2002-03
iv. PARA-105.3 ARPSE-2002-03
v. PARA-142.4 ARPSE-2002-03
vi. PARA-147.1 ARPSE-2002-03

PAC DIRECTIVE

The committee recommended the above mentioned six paras for pursuance at DAC level.

- 13. i. PARA-90.1, ARPSE-2002-03**
ii. PARA-102 & 103 ARPSE-2002-03
iii. PARA-103.1 ARPSE-2002-03
iv. PARA-103.2 ARPSE-2002-03
v. PARA-103.3 ARPSE-2002-03
vi. PARA-103.4 ARPSE-2002-03
vii. PARA-103.6 ARPSE-2002-03
viii. PARA-103.7 ARPSE-2002-03

- ix. PARA-104 & 105 ARPSE-2002-03**
- x. PARA-105.1 ARPSE-2002-03**
- xi. PARA-105.4 ARPSE-2002-03**
- xii. PARA-105.5 ARPSE-2002-03**
- xiii. PARA-106 & 107 ARPSE-2002-03**
- xiv. PARA-107.1 ARPSE-2002-03**
- xv. PARA-107.2 ARPSE-2002-03**
- xvi. PARA-141 & 142 ARPSE-2002-03**
- xvii. PARA-142.1 ARPSE-2002-03**
- xviii. PARA-142.2 ARPSE-2002-03**
- xix. PARA-142.3 ARPSE-2002-03**
- xx. PARA-142.5 ARPSE-2002-03**
- xxi. PARA-142.6 ARPSE-2002-03**
- xxii. PARA-143 ARPSE-2002-03**
- xxiii. PARA-144 & 145 ARPSE-2002-03**
- xxiv. PARA-145.1 ARPSE-2002-03**
- xxv. PARA-145.2 ARPSE-2002-03**
- xxvi. PARA-146 & 147 ARPSE-2002-03**
- xxvii. PARA-148 & 149 ARPSE- 2002-03**
- xxviii. PARA-149.1 ARPSE- 2002-03**
- xxix. PARA-149.2 ARPSE- 2002-03**
- xxx. PARA-149.3 ARPSE- 2002-03**
- xxxi. PARA-149.4 ARPSE- 2002-03**
- xxxii. PARA-150 & 151 ARPSE- 2002-03**
- xxxiii. PARA-151.1 ARPSE- 2002-03**
- xxxiv. PARA-151.2 ARPSE- 2002-03**
- xxxv. PARA-152 ARPSE- 2002-03**
- xxxvi. PARA-153 ARPSE- 2002-03**
- xxxvii. PARA-153.1 ARPSE- 2002-03**
- xxxviii. PARA-153.2 ARPSE- 2002-03**
- xxxix. PARA-153.3 ARPSE- 2002-03**

- xl. PARA-153.4 ARPSE- 2002-03
- xli. PARA-154 ARPSE- 2002-03
- xlii. PARA-155 ARPSE- 2002-03
- xliii. PARA-155.1 ARPSE- 2002-03
- xliv. PARA-155.2 ARPSE- 2002-03
- xlv. PARA-156 ARPSE- 2002-03
- xlvi. PARA-157 ARPSE- 2002-03
- xlvii. PARA-158 ARPSE- 2002-03
- xlviii. PARA-158.1 ARPSE- 2002-03
- xlix. PARA-158.2 ARPSE- 2002-03
- I. PARA-159 ARPSE- 2002-03
- ii. PARA-160 ARPSE- 2002-03
- iii. PARA-160.1 ARPSE- 2002-03
- iiii. PARA-160.2 ARPSE- 2002-03
- liv. PARA-160.3 ARPSE- 2002-03
- lv. PARA-161 ARPSE- 2002-03
- lvi. PARA-162 ARPSE- 2002-03
- lvii. PARA-162.1 ARPSE- 2002-03
- lviii. PARA-162.2 ARPSE- 2002-03
- lix. PARA-162.3 ARPSE- 2002-03
- lx. PARA-162.4 ARPSE- 2002-03
- lxi. PARA-162.5 ARPSE- 2002-03
- lxii. PARA-162.6 ARPSE- 2002-03
- lxiii. PARA-163 ARPSE- 2002-03
- lxiv. PARA-164 ARPSE- 2002-03
- lxv. PARA-164.1 ARPSE- 2002-03
- lxvi. PARA-164.2 ARPSE- 2002-03

PAC DIRECTIVE

The committee settled the above mentioned sixty six paras on the recommendation of the DAC.

MINISTRY OF INDUSTRIES AND PRODUCTION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 1st November, 2017 while examining Audit Report/Special Audit Report for the year 2002-03 pertaining to M/o Industries and Production are given below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03

1. **SINDH ENGINEERING LIMITED**
PARA-118.4, PAGE-141 (ARPSE-2002-03)
AUDIT COMMENTS

Audit pointed out that trade debts stood at Rs. 27.478 million as on June 30, 2003. Though management has made a provision of Rs. 25.556 million for doubtful debts during the year under review but it is desired to make all possible efforts for early recovery/realization of these debts.

Audit apprised the Committee that as per direction of PAC on 16-11-16 outstanding amount of Rs.2.900 million of Aiwan-e-lqbal has been written off by the board of directors in its meeting held on 17th March 2017.

PAC DIRECTIVE:

The Committee settled the para.

2. **PARA RECOMMENDED FOR PURSUANCE AT DAC LEVEL**
PARA-94(II) (PMTF) – AR-2002-03

PAC DIRECTIVE

The Committee remanded back the above para to the DAC for reexamination and directed the PAO to submit report to the Monitoring and Implementation Sub-Committee of PAC.

PARAS RECOMMENDED FOR SETTLEMENT ON THE RECOMMENDATION OF **DAC**

3. i. **PARA93(I)(PMTF) – AR-2002-03**
AUDIT COMMENTS
ii. **PARA94(I)(PMTF) – AR-2002-03**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above two paras on the recommendation of DAC.

M/O INFORMATION, BROADCASTING, NATIONAL HISTORY AND LITERARY HERITAGE

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Information, Broadcasting and National Heritage was examined by the PAC on 18th July, 2011 & 18th January, 2017.

- 09 grants and 03 audit paras were presented by the Audit Department which were examined by the Committee and were settled.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 18th July, 2011, has also been made part of the report.

**M/O INFORMATION, BROADCASTING, NATIONAL HISTORY AND LITERARY
HERITAGE**

ACTIONABLE

Actionable Points arising out from the discussions of meeting of PAC held on 18th July, 2011 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Information, Broadcasting, National History and Literary Heritage are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-2003

1. i. **GRANT NO. 69-INFROMATION AND MEDIA DEVELOPMENT
DIVISION
SAVING OF RS. 17,730,575/-**

AGPR pointed out that the grant closed with a saving of Rs. 17,730,575 which worked out to 15.17% of the total grant. Amount of Rs. 12,110,000 (10.73%) was surrendered leaving net saving of Rs. 5,620,575 (4.98%).

The PAO informed the Committee that the saving was due to vacant posts, less expenditure on overtime allowance, Honoraria, Medical reimbursement and leave salary.

ii) **GRANT NO. 70-DIRECTORATE OF PUBLICATIONS NEWSREELS AND
DOCUMENTARIES
SAVING OF RS.4,502,615/-**

AGPR pointed out that the grant closed with a saving of Rs.4,502,615 which worked out to 9.90% of the total grant. Amount of Rs.1,358,000 (2.99%) was surrendered leaving net saving of Rs. 3,144,615 (6.91%).

The PAO informed the Committee that the saving was due to change of incumbents, vacant posts, control over expenditure and expected bills were not received from the parties.

iii) **GRANT NO. 71- PRESS INFORMATION DEPARTMENT
EXCESS OF RS. 901,062/-**

AGPR pointed out that the grant closed with an excess of Rs. 901,062/- which worked out to 0.71% of the total grant. Amount of Rs.1,493,000 (1.18%) was surrendered. A supplementary grant of Rs. 5,267,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking it into account the excess shall be converted into saving Rs. 2,872,938 (2.18%).

The PAO informed the Committee that the excess was due to pertained to 09 regional offices, non receipt of expenditure statement from regional offices on 15-5-2003, non receipt of sanction approval of medical charges from the Health Division. The expenditure amount to Rs.19,976,000 was estimated for the purchase of 09 Grace Vans, Five Sportage Jeeps, Two Suzuki Carry and 09 Motor Cycles whereas the NOC from the Cabinet Division was issued for 07 Grace Vans, 05 sportage jeeps, 01 Suzuki Car and 08 Motor Cycles costing Rs.16,984,000. Resultantly, there thus was saving of Rs. 3,181,876 under this object head.

iv) **GRANT NO. 72-INFORMATION SERVICES ABROAD**
SAVING OF RS.13,483,537/-

AGPR pointed out that the grant closed with an saving of Rs.13,483,537 which worked out to 9.75% of the total grant. Amount of Rs. 7,038,000 (5.09%) was surrendered leaving net saving of Rs. 6,445,537 (4.66%).

The PAO informed the Committee that the saving due to Foreign Exchange and non posting of officers and PAHIC Colombo, non posting of staff in PAREPUN New York, PAREP Washington, PAHIC Colombo, PAHIC New Delhi and strict economy measures taken by the Missions saving occurred.

v) **GRANT NO. 73-OTHER EXPENDITURE OF INFORMATION AND BROADCASTING DIVISION**
EXCESS OF RS.1,500,000

AGPR pointed out that the grant closed with an excess of Rs.1,500,000 which worked out to 0.10% of the total grant. A supplementary grant of Rs.1,500,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO informed the Committee that the excess was due to clear pending bills of advertising agencies.

vi) **GRANT NO. 134- EXPENDITURE OF INFORMATION AND MEDIA DEVELOPMENT DIVISION**

AGPR pointed out that the budget provision was utilized in full.

PAC DIRECTIVE

The Committee recommended regularization of the above grants with the observation that the savings should have been surrendered by the prescribed date.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES
FOR THE YEAR 2002-03

2. PAKISTAN TELEVISION CORPORATION LIMITED
PARA-166.1 (PAGE 183-ARPSE 2002-03)
AUDIT COMMENTS

Audit pointed out that the operating loss of the Corporation increased by 105% during the year 2002-03 as compared to the previous year. From trend analysis, the reasons for increasing operating loss and declining profit can be attributed to the following.

Expenses to the tune of Rs. 2,930.828 million included operating, administrative, financial and other charges, which showed an increase of 7% as compared to preceding year. This affected the profit margin adversely as the same changed into operating loss amounting to Rs.138.377 million. Moreover, increase in operating loss by 105% during the year 2002-03 as compared to previous year eroded the increase of Rs. 108.298 million in revenue-net.

The PAO informed the Committee that the increase in expenditure is attributable to the increase in volume of operational activities of all the channels of PTV. A comparison of the volume of activities (in hours) for the year 2002-03 with these of 2001-02 is given below which will throw light as to the increase in volume of activities.

Transmission of PTV-I has been enhanced from 18 hours to 24 hours from January 2002 to ensure availability of broadcast of channel to viewers' community within the footprint of the channel. This arrangement necessitated the deployment of an additional shift, to meet the transmission requirements.

It may further be added that the decision of Government of Pakistan to join International Coalition, to fight Terrorism brought Pakistan in limelight. In order to counter the hostile propaganda adequately, PTV dedicated PTV World for news and current affairs. Thus arrangement made news and views availability round the clock, look of the PTV-World channel changed as News & Current Affairs. Therefore, the entertainment programs telecast on PTV-World lost their viewer ship and ultimately the advertisement income to PTV- World decline.

PAC DIRECTIVE

The Committee directed the MD PTV to prepare policy for approval of the Government whereby non-viable projects would be set up only with Grant-in-Aid from the Government for the projects in question. The policy would also be put up before the Main Committee (PAC), for its endorsement and recommendation to the Government. The policy should inter-alia be based on the following:-

- a) The total outstanding expenditure on non-viable projects should be worked out and reimbursement sought from the Government.
- b) In future as and when non-viable projects were given to PTV for implementation, it should seek a special grant for that purpose, so that it remains competitive in the market.
- c) Measures being taken to bring PTV in profit.

**3. PARA-166.4 (PAGE 183- ARPSE 2002-03)
AUDIT COMMENTS**

Audit pointed out that capital work progress increased from Rs. 41.995 million in 2001-02 to Rs.46.755 million in 2002-03. Major change was reflected in Assets transit which increased to Rs. 33.282 million from Rs. 12.119 million in 2002-03. The capital work in progress at various sites has been stalled and some projects have been dropped. This had been pointed out in previous audit reports. Proper feasibility of the project before initiating work may be ensured to avoid blockage of capital in projects.

The PAO informed the Committee that the Capital Work in Progress is transferred to respective assets amount upon completion of the project. The position of Capital Work in Progress ended June 2003 as on 30-4-2005. The amount relating to the projects still in progress would be transferred as and when the same would be completed.

PAC DIRECTIVE

The Committee remanded the Para back to DAC for reconsideration and recommended it for settlement subject to verification of record by Audit.

**4. PARA-166.7 (PAGE 184- ARPSE 2002-03)
AUDIT COMMENTS**

Audit pointed out that the PTV Ltd entered into an agreement with M/s Asia Pacific Broadcasting Union on October 10, 2001 for live coverage of Manchester 2002 Common Wealth Games and paid US\$20,000 (Rs.1.209 million) including bank charges of Rs.2.107 million on 6-4-2002 to M/s ABU Malaysia. For telecasting the subject programme 7.2 meter dish antenna was required which was not procured by PTV in spite of the fact the management was well in the knowledge of the similar situation at the time of Sydney Olympics 2000. Due to non-procurement of the desired dish antenna the coverage of Manchester 2002 Common Wealth Games could not be received by the PTV. No efforts were made to claim refund of Rs.1.209 million from the firm.

The PAO informed the Committee that PTV entered into an agreement for the telecast of above events through ABU. It was the mandatory obligation for PTV to pay the share for TV rights of this event being the member of ABU. The technical parameter for down loading and linking of live feed of this event was 7.2 meter dish antenna. For this purpose, PTV tried to get the required dish from Suparco, or Cable Operators & Antenna suppliers but could not succeed. Due to non-availability of the above equipment, the live coverage of this event could not be arranged. However, PTV was able to get from ABU the recording of three Pakistan Hockey Matches, which were televised by PTV on 27-8-2002, 28-8-2002 & 11-9-2002. It is clarified that PTV tried its best to get the amount adjusted in PTV's rights and technical charges share for Busan (Korea) Asian Games 2002, but PTV's request was not accepted by ABU on the ground that under the pool arrangements it is the responsibility of the PTV to meet the rights costs of US\$20,000 in addition to US\$23,400/ being the satellite delivery cost, which has not so far been paid to ABU despite their repeated insistence.

PAC DIRECTIVE

The Committee directed MD PTV to hold an inquiry and in case malafide is established action should be taken as admissible under the rules. A report has to be submitted to the Committee within one month.

MINISTRY OF INFORMATION, BROADCASTING AND NATIONAL HERITAGE
ACTIONABLE POINTS

Actionable Points rising from the discussion of meeting of PAC held on 18th January, 2017 while examining Audit Reports/ Special Audit Reports for the year 2002-03 of M/o Information, Broadcasting and National Heritage are given below:-

APPROPRIATION ACCOUNTS CIVIL VOLUME 1 – 2002- 03

1. i) **GRANT NO.21- MINORITIES, CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS DIVISION**

The AGPR pointed out that the grant close with saving of Rs.5,572,607 which worked out to 2.51 percent of the total grant. An amount of Rs. 5,315,800 (2.40%) was surrendered leaving net saving of Rs. 256,807 (0.11%).

ii) **GRANT NO.123-DEVELOPMENT EXPENDITURE OF MINORITIES, CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs.74,614,000 which worked out to 21.96 percent of the total grant. An amount of Rs. 170,786,000 (50.27%) was surrendered leaving into an excess of Rs. 96,172,000 (28.31%).

PAC DIRECTIVE

The Committee settled the above two grants.

2. **GRANT NO. 22-OTHER EXPENDITURE OF MINORITIES, CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS DIVISION**

AGPR pointed out that the grant closed with an excess of Rs. 223,742 which worked out to 0.09 percent of the total grant. An amount of Rs.3,382,109 was surrendered increasing net excess to Rs. 3,605,851 (1.57%).

PAC DIRECTIVE

The Committee recommended the grant for regularization.

M/O INFORMATION TECHNOLOGY AND TELECOMMUNICATION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Information Technology and Telecommunication was examined by the PAC on 14th September, 2017 and 25th October, 2017.

- 02 grants and 24 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 02 grants and 23 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

M/O INFORMATION TECHNOLOGY AND TELECOMMUNICATION
ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o Information, Technology and Telecommunication are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. GRANT NO.106- INFORMATION TECHNOLOGY AND TELECOMMUNICATION DIVISION

AGPR pointed out that the grant closed with an excess of Rs. 1,134,287 which worked out to 0.15 percent of the total grant. An amount of Rs.4,425,689 (0.60%) was surrendered increasing net excess to Rs.5,559,976 (0.75%).

PAC DIRECTIVE

The Committee recommended the above grant for settlement.

2. GRANT NO. 144-DEVELOPMENT EXPENDITURE OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION DIVISION

The AGPR pointed out that the grant close with saving of Rs.3,058,560,023 which worked out to 68.13 percent of the total grant. An amount of Rs. 2,906,653,835 (64.75%) was surrendered leaving net saving of Rs. 151,906,188 (3.38%).

PAC DIRECTIVE

The Committee settled the grant.

AUDIT REPORT FOR THE YEAR 2002-03

3. AUDIT PARA NO.1.1.3 PAGE NO.3-4 AUDIT REPORT 2002-03 OVERPAYMENT OF RENT TO PTCL-RS. 181.659 MILLION

Audit pointed out that as per agreement, NTC was liable to pay rent charges @ Rs. 600 per line to PTCL for lines hired over and above the phase-II lines. Accordingly, the Corporation was required to pay rent charges for 11,400 lines only but PTCL charged rent on 34,083 lines during 2001-03 resulting in overpayment of rent. The corporation, however, lodged a claim of Rs. 181.659 million in this regard but the recovery/adjustment was awaited.

PAO informed that all the receivables and payables were reconciled and settled. Relevant Record has been provided to audit for verification.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit.

**4. AUDIT PARA NO.1.2.2 PAGE NO.4-5 AUDIT REPORT 2002-03
NON-SURRENDER OF UNUTILIZED FUNDS-RS. 135.685 MILLION**

Audit pointed out that upto June, 2003 the assets of the Corporation were Rs. 2,028.164 million including un-utilized funds of IT- Projects amounting to Rs. 135.685 million for the year 2002-2003. These funds were allocated through the Ministry for execution of IT- Projects. The Corporation kept the amount in National Income daily Accounts (NIDA) with NBP instead of surrendering it to Finance Division.

PAO informed that separate bank accounts were maintained with NBP, Marriot Hotel, Islamabad. The expenditure incurred under these projects were paid through these accounts. The saving/Profit earned on these projects were surrendered to Federal Government Treasury Accounts. These are reflected in the balance sheet. The relevant record has been provided to Audit.

PAC DIRECTIVE

The Committee pended the para till next meeting.

**5. i) AUDIT PARA NO.1.3.1 PAGE NO.5-6 AUDIT REPORT 2002-03
CASH REWARD TO EMPLOYEES- RS. 12.163 MILLION**

Audit pointed out that the bonus paid to employees by the Corporations without the concurrence of Finance Division. It tantamount to financial irregularity. It was further told that the amount of bonus was Rs. 12.163 million in five formations of the Corporation.

PAO informed that similar nature Audit Para 4.13 regarding Cash Reward for the Year 2007-08 was discussed in PAC in its meeting held on 19-05-2010. The PAC directed to seek ex-post facto approval from Finance Division. Finance division accorded approval for regularization of Cash Reward for the year 2007-08. PAO requested the Committee to allow the Corporation for the regularization of all paras of the same nature pertaining to the Audit Report 2002-03 for regularization from the Finance Division. He requested that the following paras may be settled subject to regularization from Finance Division.

- ii) AUDIT PARA NO.1.3.2 PAGE NO.6-7 AUDIT REPORT 2002-03
OUTDOOR MEDICAL TREATMENT AMOUNTING TO RS. 4.196
MILLION
- iii) AUDIT PARA NO.1.3.3 PAGE NO.7-8 AUDIT REPORT 2002-03
LEAVE ENCASHMENT-RS. 3.475 MILLION
- iv) AUDIT PARA NO.1.3.4 PAGE NO.8-9 AUDIT REPORT 2002-03
HOUSE REQUISITION AT UNSPECIFIED STATIONS AMOUNTING TO
RS. 1.553 MILLION
- v) AUDIT PARA NO.1.3.5 PAGE NO.9-10 AUDIT REPORT 2002-03
NON-DEDUCTION ON ACCOUNT OF 5% NORMAL RENT-RS. 665,421

PAC DIRECTIVE

The Committee settled the above five paras subject to regularization from the Finance Division and verification by the Audit.

PARAS RECOMMENDED FOR SETTLEMENT BY THE DAC.

- 6. i) AUDIT PARA NO.1.1.1 PAGE NO.3 AUDIT REPORT 2002-03
NON-UTILIZATION OF IDLE CAPACITY
- ii) AUDIT PARA NO.1.1.2 PAGE NO.3 AUDIT REPORT 2002-03
NON-ACHIEVEMENT OF REVENUE TARGETS AND SHORTFALL OF
REVENUE
- iii) AUDIT PARA NO.1.2.1 PAGE NO.4 AUDIT REPORT 2002-
03DECREASE IN OPERATING PROFIT
- iv) AUDIT PARA NO.1.2.3 PAGE NO.5 AUDIT REPORT 2002-03
INCREASING TREND OF TRADE DEBTS
- v) AUDIT PARA NO.4.2.1 PAGE NO.20-21 AUDIT REPORT 2002-03
EXCESS OVER BUDGET ALLOTMENT – RS. 7.773 MILLION
- vi) AUDIT PARA NO.4.2.2 PAGE NO.21 AUDIT REPORT 2002-03
VARIATION IN TRANSFERRING OF AMOUNT TO FEDERAL
CONSOLIDATED FUND (FCF)

PAC DIRECTIVE

The Committee settled the above six paras on the recommendation of DAC.

MINISTRY OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION

ACTIONABLE POINTS

Actionable points arising out from discussion of PAC meeting held on 25th October, 2017 while examining the Audit Report Telecommunication Sector 2002-03 pertaining to Ministry of Information Technology and Telecommunication are give below:-

AUDIT REPORT TELECOMMUNICATION SECTOR 2002-03

NATIONAL TELECOM CORPORATION

1.
 - i. **PARA NO. 1.3.1 PAGE NO. 5-6 AR 2002-03
CASH REWARD TO EMPLOYEES – RS. 12.163 MILLION**
 - ii. **AUDIT PARA NO. 1.3.2 PAGE NO. 6-7 AR 2002-03
OUTDOOR MEDICAL TREATMENT AMOUNTING TO RS. 4.196
MILLION**
 - iii. **AUDIT PARA NO. 1.3.3 PAGE NO. 7-8 AR 2002-03
LEAVE ENCASHMENT – RS. 3.475 MILLION**
 - iv. **AUDIT PARA NO. 1.3.4 PAGE NO. 8-9 AR2002-03
HOUSE REQUISITION AT UNSPECIFIED STATIONS AMOUNTING TO
RS. 1.553 MILLION**
 - v. **AUDIT PARA NO. 1.3.5 PAGE NO. 9-10 AR 2002-03
NON-DEDUCTION ON ACCOUNT OF 5% NORMAL RENT – RS.
665,421**

Audit apprised the Committee that as per direction of the PAC in its meeting held on 14th September, 2017. The expenditure has been got regularized from the Finance Division, and verified by the Audit. Audit recommended that the above five paras may be settled.

PAC DIRECTIVE

The Committee settled the above five paras.

2.
 - i. **PARAS RECOMMENDED FOR SETTLEMENT BY THE DAC
AUDIT PARA NO. 1.1.1 PAGE NO. 3 AR 2002-03
NON- UTILIZATION OF IDLE CAPACITY**
 - ii. **AUDIT PARA NO. 1.1.2 PAGE NO. 3 AR 2002-03
NON- ACHIEVEMENT OF REVENUE TARGETS AND SHORTFALL OF
REVENUE**

- iii. AUDIT PARA NO. 1.1.3 PAGE NO. 3-4 AR 2002-03
OVERPAYMENT OF RENT TO PTCL – RS. 181.659 MILLION
- iv. AUDIT PARA NO. 1.2.1 PAGE NO. 4 AR 2002-03
DECREASE IN OPERATING PROFIT
- v. AUDIT PARA NO. 1.2.2 PAGE NO. 4-5 AR 2002-03
NON- SURRENDER OF UNUTILIZED FUNDS – RS. 135.685 MILLION
- vi. AUDIT PARA NO.1.2.3 PAGE NO. 5 AR 2002-03
INCREASING TREND OF TRADE DEBTS

PAC DIRECTIVE

The Committee settled the above six paras on the recommendation of the DAC.

M/O INTERIOR

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Interior was examined by the PAC on 21st July, 2016.

- 09 grants and 01 audit para was presented by the Audit Department which were examined by the Committee. Out of which 09 grants and 01 para was settled.

M/O INTERIOR

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 21st July, 2016 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Ministry of Interior are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. i) **GRANT NO.74-INTERIOR DIVISION**
EXCESS OF RS.3,265,337,256/-

The AGPR pointed out that the Grant closed with an excess of Rs.3,265,337,256 which work out to 20% of the total grant. An amount of Rs.26,814,000 (17.11%) was surrendered increasing net excess to Rs. 3,292,151,256.

ii) **GRANT NO. 75-ISLAMABAD**

AGPR pointed out that the grant closed with an excess of Rs. 24,546,320 which worked out to 1.86% of the total grant.

iii) **GRANT NO. 76-PASSPORT ORGANIZATION**

AGPR pointed out that the grant closed with the saving of Rs. 5,334,221 which worked out to 1.64% of the total grant. An amount of Rs.5,280,000 (1.62%) was surrendered leaving net saving of Rs. 54,221 (0.02%).

iv) **GRANT NO. 77-CIVIL ARMED FORCES**
EXCESS OF RS.41,550,092/-

The AGPR pointed out that the Grant closed with an excess of Rs.41,550,092 which work out to 0.96% percent of the total grant. An amount of Rs.22,418,000 (0.52%) was surrendered increasing net excess to Rs. 63,968,092 (1.49%).

v) **GRANT NO. 78-PAKISTAN COAST GUARDS**

AGPR pointed out that the grant closed with the saving of Rs. 6,779,325 which worked out to 3.20% of the total grant. An amount of Rs. 15,240,000 (7.21%) was surrendered resulting into an excess of Rs. 8,460,675 (4.00%).

vi) **GRANT NO. 79-PAKISTAN RANGERS**

AGPR pointed out that the grant closed with the saving of Rs. 33,018,949 which work out to 1.15% of the total grant. An amount of Rs. 30,505,000 (1.07%) was surrendered leaving net saving of Rs. 2,513,949 (0.08%).

vii) **GRANT NO. 80-OTHER EXPENDITURE OF INTERIOR DIVISION
EXCESS OF RS.180,642,059/-**

The AGPR pointed out that the Grant closed with an excess of Rs.180,642,059 which work out to 6.81% of the total grant. An amount of Rs.10,388,000 (0.39%) was surrendered increasing net excess to Rs. 191,030,059 (7.19%).

viii) **GRANT NO. 84-FRONTIER CONSTABULARY**

AGPR pointed out that the grant closed with the saving of Rs. 84,706,326 which worked out to 6.96% of the total grant. An amount of Rs. 82,361,000 (6.76%) was surrendered leaving net saving of Rs. 2,345,326 (0.19%).

xi) **GRANT NO. 135-DEVELOPMENT EXPENDITURE OF INTERIOR
DIVISION**

AGPR pointed out that the grant closed with the saving of Rs. 1,055,552,668 which worked out to 39.31% of the total grant. An amount of Rs. 50,000,000 (1.86%) was surrendered leaving net saving of Rs. 1,005,552,668 (37.45%).

PAC DIRECTIVE

The Committee clubbed the above nine grants and recommended for settlement.

DG AUDIT CUSTOMS & PETROLEUM

2. **AUDIT PARA: 7.1, PAGE: 193 AUDIT REPORT 2002-03
NEED TO REVISE RATES OF STAMP DUTY/OTHER LEVIES**

Audit pointed out that the administration of the Islamabad Capital Territory was transferred from the Punjab Government to the Federal Government w.e.f. 1-1-1981. On this eve, ICT adopted revenue laws and tax structure of the Punjab Government. Accordingly, it has been collecting various taxes and duties such as motor vehicles tax, stamp duty, registration fee, hotel tax etc. in accordance with respective acts applicable to the Punjab province but generally at rates prevalent as on 31-12-1980, the date preceding immediately on which the administration was transferred from Provincial Government to the Federal Government. In view

of inflation during the last 24 years and increase in administrative expenditure and also to meet their revenue requirements, the Government of the Punjab and other provincial governments enhanced rates of duties and taxes from time to time in their jurisdictions. The Chief Commissioner, however, took no steps to rationalize the structure of duties and taxes to bring it in line with that of provincial governments. Resultantly, rates of taxes and duties in the ICT remained almost stagnant.

In order to arrest the situation, the ICT should develop their own organization which should review the rates of their taxes with a view to rationalizing them from time to time. In case the establishment of such an organization is not considered feasible and economical, the ICT may make amendment in their tax laws to adopt rates of taxes etc. of any one of the federating units on regular intervals.

PAO informed that stamp duty on release of deeds is going to be charged according to rates of Punjab Government i.e. 4% of the value of the property for which evaluation table has to be revised accordingly. Other rates are being revised accordingly at par with rates levied by other Provincial Governments.

PAC DIRECTIVE

The Committee settled the para.

M/O KASHMIR AFFAIRS AND GILGIT BALTISTAN

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Kashmir Affairs and Gilgit Baltistan was examined by the PAC on 7th November, 2016 and 28th February, 2018.

- 05 grants and 04 paras were presented by the Audit Department which were examined by the Committee and were pended till next meeting.

M/O KASHMIR AFFAIRS AND GILGIT BALTISTAN

ACTIONABLE POINTS

Actionable Points arising from the discussion during meeting of PAC held on 7th November, 2016 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o Kashmir Affairs and Gilgit Baltistan are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1. i. **GRANT NO.82-KASHMIR AFFAIRS AND NORTHERN AREAS AND STATES AND FRONTIER REGIONS DIVISION.**
- ii. **GRANT NO.87-OTHER EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AREAS AND STATES AND FRONTIER REGIONS DIVISION.**
- iii. **GRANT NO.89-NORTHERN AREAS.**
- iv. **GRANT NO.115-CAPITAL OUTLAY ON PURCHASES BY KASHMIR AFFAIRS AND NORTHERN AREAS AND STATES AND FRONTIER REGIONS DIVISION.**
- v. **GRANT NO.137-DEVELOPMENT EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AREAS AND STATES AND FRONTIER REGIONS DIVISION.**

The Special Secretary of M/o Kashmir Affairs and Gilgit Baltistan apprised the Committee that no PAO/Secretary has been posted in the Ministry and he has only look after charge.

PAC DIRECTIVE

As the PAO was not present, the Committee pended the grants till next Meeting.

M/O KASHMIR AFFAIRS AND GILGIT BALTISTAN

ACTIONABLE POINTS

Actionable Point arising from the discussion of meeting of PAC held on 28th February, 2018 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2002-03 pertaining to M/o Kashmir Affairs and Gilgit Baltistan are given below:

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. **GRANT NO. 87 – OTHER EXPENDITURE OF KASHMIR AFFAIRS & NORTHERN AREAS AND STATES AND FRONTIER REGIONS DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs. 90,458,605 which worked out to 1.75 percent of the total grant. An amount of Rs. 55,518,166 (1.07%) was surrendered leaving net saving of Rs. 34,940,439 (0.68%). Audit stated that it was financial mismanagement.

The PAO could not satisfy the Committee about the saving.

PAC DIRECTIVE

The Committee referred back the grant to the DAC.

2. i) **GRANT NO. 115 – CAPITAL OUTLAY ON PURCHASES BY KASHMIR AFFAIRS & NORTHERN AREAS AND STATES AND FRONTIER REGIONS DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs. 88,921,892 which worked out to 11.13 percent of the total grant. An amount of Rs. 20,917,000 (2.62%) was surrendered leaving net saving of Rs. 68,004,892 (8.51%).

ii) **GRANT NO. 137 – DEVELOPMENT EXPENDITURE OF KASHMIR AFFAIRS & NORTHERN AREAS AND STATES AND FRONTIER REGIONS DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs. 89,834,802 which worked out to 4.12 percent of the total grant. An amount of Rs. 27,829,000 (1.28%) was surrendered leaving net saving of Rs. 62,005,802 (2.84%).

PAC DIRECTIVE

The Committee settled the above two grant.

3. i. **GRANT NO. 82 –KASHMIR AFFAIRS & NORTHERN AREAS & STATES & FRONTIER REGIONS DIVISION**
EXCESS OF RS. 242,140,282/-
- ii. **GRANT NO. 89 –NORTHERN AREAS**
EXCESS OF RS. 242,140,282/-

The AGPR pointed out that the grant closed with an excess of Rs. 242,140,282 which worked out to 18.12 percent of the total grant. An amount of Rs. 7,890,000 (0.59%) was surrendered increasing net excess of Rs. 250,030,282 (18.71%).

PAO informed that the arrears of 20% special pay was given to the staff posted in CPO, RTC, Special Branch, Crime Branch and reserve Police in Gilgit-Baltistan without any budget. Therefore, there was excess.

PAC DIRECTIVE

The Committee recommended the above two grants for regularization with displeasure.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03

4. i. **AUDIT PARA-168, ARPSE (2002-03)**
AUDIT COMMENTS
- ii. **AUDIT PARA-169 & 169.5, ARPSE (2002-03)**
AUDIT COMMENTS
- iii. **AUDIT PARA-169.2, ARPSE (2002-03)**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above four paras on the recommendation of DAC.

M/O LAW, JUSTICE AND HUMMAN RIGHTS

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Law Justice and Human Rights was examined by the PAC on 18th January, 2017.

- 03 grants were presented by the Audit Department which were examined by the Committee and were settled.

M/O LAW, JUSTICE AND HUMAN RIGHTS

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 18th January, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o Law, Justice and Human Rights are given below:-

APPROPRIATION ACCOUNTS CIVIL VOLUME I – 2002- 03

1) i) **GRANT NO.92- LAW, JUSTICE AND HUMAN RIGHTS DIVISION**

The AGPR pointed out that the grant close with saving of Rs.48,770,878 which worked out to 38.55 percent of the total grant. An amount of Rs. 47,985,070 (37.93%) was surrendered leaving net saving of Rs. 785,808 (0.62%).

ii) **GRANT NO. 93-OTHER EXPENDITURE OF LAW, JUSTICE AND HUMAN RIGHTS DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs. 70,392,078 which worked out to 20.11 percent of the total grant. An amount of Rs. 38,576,334 (11.02%) was surrendered leaving net saving of Rs. 31,815,744 (9.09%).

iii) **GRANT NO.140-DEVELOPMENT EXPENDITURE OF LAW, JUSTICE AND HUMAN RIGHTS DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs.310,192,314 which worked out to 28.31 percent of the total grant. An amount of Rs.148,226,872 (13.53%) was surrendered leaving net saving of Rs.161,965,442 (14.78%).

PAC DIRECTIVE

The Committee settled the above three grants.

NATIONAL RECONSTRUCTION BUREAU

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the National Reconstruction Bureau was examined by the PAC on 19th January, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee and was settled.

NATIONAL RECONSTRUCTION BUREAU

ACTIONABLE POINTS

Actionable Points rising from the discussion of meeting of PAC held on 19th January, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to National Reconstruction Bureau are given below:-

APPROPRIATION ACCOUNTS CIVIL VOLUME 1 – 2002- 03

1. GRANT NO.11- NATIONAL RECONSTRUCTION BUREAU

The AGPR pointed out that the grant close with saving of Rs.30,432,704 which worked out to 42.32 percent of the total grant. An amount of Rs. 29,115,183 (40.50%) was surrendered leaving net saving of Rs. 1,317,521 (1.82%).

PAC DIRECTIVE

The Committee settled the grant.

M/O NARCOTICS CONTROL

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Narcotics Control was examined by the PAC on 14th September, 2017.

- 02 grants were presented by the Audit Department which were examined by the Committee and were settled.

M/O NARCOTICS CONTROL

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Narcotics Control Division are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. i) **GRANT NO. 81-NARCOTICS CONTROL DIVISION**

AGPR pointed out that the grant closed with a saving of Rs. 93,256,032 which was 26.91 percent of the total grant. An amount of Rs.90,982,000 (26.25%) was surrendered leaving net saving of Rs.2,274,032 (0.66%).

ii) **GRANT NO. 136-DEVELOPMENT EXPENDITURE OF NARCOTICS CONTROL DIVISION**

AGPR pointed out that the grant closed with a saving of Rs. 71,638,789 which was 45.08 percent of the total grant. An amount of Rs. 70,069,787 (44.09%) was surrendered leaving net saving of Rs.1,569,002 (0.99%).

PAC DIRECTIVE

The Committee settled the above two grant.

NATIONAL ACCOUNTABILITY BUREAU

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o National Accountability Bureau (NAB) was examined by the PAC on 28th February, 2018.

- 01 grant was presented by the Audit Department which was examined by the Committee. This was settled by the Committee.

NATIONAL ACCOUNTABILITY BUREAU (NAB)

ACTIONABLE POINTS

Actionable Point arising from the discussion of meeting of PAC held on 28th February, 2018 while examining Appropriation Accounts for the year 2002-03 pertaining to National Accountability Bureau (NAB) are given below:

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. GRANT NO. 10 – NATIONAL ACCOUNTABILITY BUREAU

The AGPR pointed out that the grant closed with a saving of Rs. 28,860,727 which worked out to 2.98 percent of the total grant. An amount of Rs. 24,686,000 (2.55%) was surrendered leaving net saving of Rs. 4,174,727 (0.43%).

PAC DIRECTIVE

The Committee settled the grant.

NATIONAL ASSEMBLY SECRETARIAT

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the National Assembly Secretariat was examined by the PAC on 14th September, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee and was settled.

NATIONAL ASSEMBLY SECRETARIAT

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to National Assembly Secretariat are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. GRANT NO. 95-NATIONAL ASSEMBLY

AGPR pointed out that in charged section the grant closed with a saving of Rs. 33,815,153 which was 18.06 percent of the total grant. An amount of Rs.33,659,000 (17.97%) was surrendered leaving net saving of Rs.156,153 (0.08%). AGPR also pointed out that in other than charged section the grant closed with a saving of Rs. 98,476,673 which was 38.9% of the total grant. An amount of Rs. 87,486,000 (34.60%) was surrendered leaving net saving of Rs. 10,990,673 (4.34%).

PAC DIRECTIVE

The Committee settled the above grant.

M/O NATIONAL FOOD SECURITY & RESEARCH

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o National Food Security and Research was examined by the PAC on 7th November, 2016.

- 06 grants and 02 audit paras were presented by the Audit Department which were examined by the Committee and were settled.

M/O NATIONAL FOOD SECURITY AND RESEARCH

ACTIONABLE POINTS

Actionable Points arising out of the discussion during meeting of PAC held on 7th November, 2016 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o National Food Security and Research are given below.

APPROPRIATION ACCOUNTS CIVIL VOLUME 1 – 2002- 03

1. i) **GRANT NO.51- FOOD, AGRICULTURE AND LIVESTOCK DIVISION**

The AGPR pointed out that the grant close with saving of Rs.10,737,104 which worked out to 9.42 percent of the total grant. An amount of Rs. 10,930,701 (9.59%) was surrendered leaving net saving of Rs. 193,597 (0.17%).

ii. **GRANT NO.54-OTHER EXPENDITURE OF FOOD, AGRICULTURE AND LIVESTOCK DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs.12,095,355 which worked out to 3.72 percent of the total grant. An amount of Rs. 2,847,440 (0.87%) was surrendered leaving net saving of Rs. 9,247,915 (2.85%).

iii. **GRANT NO.131-DEVELOPMENT EXPENDITURE OF FOOD, AGRICULTURE AND LIVESTOCK DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs.325,621,564 which worked out to 24.29 percent of the total grant. An amount of Rs. 215,459,046 (16.07%) was surrendered leaving net saving of Rs. 110,162,518 (8.22%).

iv. **GRANT NO. 52-AGRICULTURE RESEARCH**

v. **GRANT NO.132-DEVELOPMENT EXPENDITURE OF AGRICULTURE RESEARCH**

The AGPR pointed out that the grants were fully utilized and there was no saving.

PAC DIRECTIVE

The Committee settled the above five grants.

2. **GRANT NO.113-CAPITAL OUTLAY ON PURCHASE OF FERTILIZER**

The AGPR pointed out that the grant closed with a excess of Rs.7,404,479 which worked out to 40.07 percent of the total grant.

PAC DIRECTIVE

The Committee recommended the grant for regularization.

3. i. **PARA 82.1 PAGE-04 (2002-03)**
AUDIT COMMENTS

The Audit pointed out that the working result indicated that the corporation sustained losses of Rs.4,337.464 million during 2002-03 before adjustments of cost differential/provision for incidentals. After incorporating adjustments in respect of cost differential the loss of the corporation has turned into profit of Rs. 1,298.331 million in 2002-03 as compared to Rs. 262.111 million profit in 2002-03.

ii. **PARA 82.3 PAGE-06 (2002-03)**
AUDIT COMMENTS

The Audit pointed out that out of total recoverable amount of Rs. 5,636 million from government of Pakistan on account of cost differential between the sale price and the cost of wheat, the appropriate Audit evidence was not provided for an amount of Rs. 1,785 million to external auditors. Similarly in previous year claim of cost differential and cost of strategic reserves, the audit evidence for Rs. 1,706 million was not produced. Since the claims of Rs. 3,491 million have been shown in the accounts without having appropriate evidence, therefore, the authenticity of these claims was doubtful.

The Audit clubbed the above paras and apprised the Committee that both paras are same nature.

The PAO informed the Committee that full recovery has been made.

PAC DIRECTIVE

The Committee settled the above mentioned two paras subject to verification of the record of recovery by the Audit.

M/O NATIONAL HEALTH SERVICES, REGULATIONS AND COORDINATION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o National Health Services, Regulations and Coordination was examined by the PAC on 31st May, 2016 and 28th February, 2018.

- 06 grants and 04 audit paras were presented by the Audit Department which were examined by the Committee and were settled.

M/O NATIONAL HEALTH SERVICES, REGULATIONS AND COORDINATION

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 31st May, 2016 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o National Health Services are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1.
 - i. **GRANT NO.58-HEALTH DIVISION**
 - ii. **GRANT NO.59-MEDICAL SERVICES**
 - iii. **GRANT NO.60-PUBLIC HEALTH**
 - iv. **GRANT NO.133-DEVELOPMENT EXPENDITURE OF HEALTH DIVISION**

PAC DIRECTIVE

The Committee recommended the above mentioned four grants for regularization.

2. **PARA-86.1, PAGE-102 ARPSE-2002-03**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee recommended the para for pursuance at DAC level.

3.
 - i) **PARA-85, PAGE-102 ARPSE-2002-03**
AUDIT COMMENTS
 - ii) **PARA-86, PAGE-102 ARPSE-2002-03**
AUDIT COMMENTS
 - iii) **PARA-86.2, PAGE-103 ARPSE-2002-03**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above mentioned three paras on the recommendation of DAC.

M/O NATIONAL HEALTH SERVICES, REGULATIONS AND COORDINATION

ACTIONABLE POINTS

Actionable Point arising from the discussion of meeting of PAC held on 28th February, 2018 while examining Appropriation Accounts for the year 2002-03 pertaining to M/o Population Welfare are given below:

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. i) **GRANT NO. 101 – POPULATION WELFARE DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs. 2,909,557 which worked out to 6.25 percent of the total grant. An amount of Rs. 1,923,000 (4.13%) was surrendered leaving net saving of Rs. 986,557 (2.12%).

iii) **GRANT NO. 143 – DEVELOPMENT EXPENDITURE OF POPULATION WELFARE DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs. 379,045,666 which worked out to 16.48 percent of the total grant. An amount of Rs. 361,615,716 (15.72%) was surrendered leaving net saving of Rs. 17,429,950 (0.76%).

PAC DIRECTIVE

The Committee settled the above two grants with displeasure.

M/O OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Overseas Pakistanis and Human Resource Development was examined by the PAC on 19th January, 2017.

- 03 grants and 06 audit paras were presented by the Audit Department which were examined by the Committee and were settled.

M/O OVERSEAS PAKISTANIS AND HUMAN RESOURCES DEVELOPMENT

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 19th January, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o Overseas Pakistanis and Human Resource Development are given below:-

APPROPRIATION ACCOUNTS CIVIL VOLUME 1 – 2002- 03

1. i) **GRANT NO.90- LABOUR, MANPOWER AND OVERSEAS PAKISTANIS DIVISION**

The AGPR pointed out that the grant close with saving of Rs.1,014,058 which worked out to 0.45 percent of the total grant.

ii) **GRANT NO. 91-OTHER EXPENDITURE OF LABOUR, MANPOWER AND OVERSEAS PAKISTANIS DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs. 269,267.

iii) **GRANT NO.139-DEVELOPMENT EXPENDITURE OF LABOUR, MANPOWER AND OVERSEAS PAKISTANIS DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs.71,399,212 which worked out to 84.32 percent of the total grant. An amount of Rs.68,367,000 (80.74%) was surrendered leaving net saving of Rs.3,032,212 (3.58%).

PAC DIRECTIVE

The Committee settled the above three grants.

2. **PARA-171.4, PAGE-198 (ARPSE-2002-03) AUDIT COMMENTS**

Audit pointed out that the external auditors, in the accounts for the years 2002-2003, had reported that out of Rs. 1,033.89 million involved in Repo Deals Case (Security based- Federal Investment Bonds (FIBs)) case, an amount of Rs. 804.996 million had been recovered/adjusted and an amount of Rs. 228.964 million was a shortfall for which a provision has been made in the accounts. Audit further told that later on Rs. 22 million was recover able from an absconder excuse Mr. Tahir Saddique which is still recoverable.

PAO informed that two properties and Rs. 22 lac are recoverable but still not received. The matter is under trial with the NAB.

NAB informed that recovery could not be made because the case was also under consideration in the Sindh High Court. However, efforts are being made for recovery and the case is being pursued properly.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit.

3. i. **PARA-171 (ARPSE-2002-03)**
WORKING RESULT
- ii. **PARA-171.1 (ARPSE-2002-03)**
AUDIT COMMENTS
- iii. **PARA-171.2 (ARPSE-2002-03)**
AUDIT COMMENTS
- iv. **PARA-171.3 (ARPSE-2002-03)**
AUDIT COMMENTS
- v. **PARA-171.5 (ARPSE-2002-03)**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above five paras.

PAKISTAN ATOMIC ENERGY COMMISSION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Pakistan Atomic Energy Commission was examined by the PAC on 14th April, 2016.

- 02 grants were presented by the Audit Department which were examined by the Committee. These 02 grants were settled.

PAKISTAN ATOMIC ENERGY COMMISSION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 14th April, 2016 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2002-03 pertaining to Pakistan Atomic Energy Commission are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2002-03

1. i. **GRANT NO.13-ATOMIC ENERGY**

AGPR informed the Committee that the entire budget provision was fully utilized.

ii. **GRANT NO.148-CAPITAL OUTLAY ON DEVELOPMENT OF ATOMIC ENERGY**

AGPR pointed out that the entire budget provision was fully utilized.

PAC DIRECTIVE

The Committee settled the above two grants and made no comments.

M/O PARLIAMENTARY AFFAIRS

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Parliamentary Affairs was examined by the PAC on 14th September, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee. This was settled by the Committee.

M/O PARLIAMENTARY AFFAIRS

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Parliamentary Affairs Division are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. **GRANT NO. 94-PARLIAMENTARY AFFAIRS DIVISION**

AGPR pointed out that the grant closed with a saving of Rs. 19,711,254 which was 56.86 percent of the total grant. An amount of Rs.18,834,000 (54.33%) was surrendered leaving net saving of Rs.877,254 (2.53%).

PAC DIRECTIVE

The Committee settled the above grant.

M/O PETROLEUM AND NATURAL RESOURCES

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Petroleum and Natural Resources was examined by the PAC on 27th February, 2014, 17th April, 2014, 30th April, 2014, 13th May, 2014, 20th May, 2014, 31st December, 2014, 4th February, 2015, 18th February, 2015 and 1st November, 2017.

- 08 grants and 81 audit paras were presented by the Audit Department which were examined by the Committee. All grants and 63 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES
ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 27-02-2014 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2002-03 pertaining to Ministry of Petroleum & Natural Resources are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1/2002-03

MINISTRY OF PETROLEUM & NATURAL RESOURCES

1. **GRANT NO. 97**
(EXCESS OF RS.89, 129)

PAC DIRECTIVE

After the explanation given by the PAO on the above grant, the Committee regularized the grant.

2. i) **GRANT NO. 99**
(SAVINGS OF RS.1, 25, 383)
- ii) **GRANT NO. 158**
(SAVINGS OF RS.50,608,000)

PAC DIRECTIVE

After the explanation given by the PAO on the above mentioned 02 grants, the Committee settled the grants.

3. **GRANT NO. 141**
(EXCESS OF RS.371,198,000)

AGPR pointed out that a grant was closed with an excess of Rs. 343,624,000 which works out to 185.94% of the total grant. An amount of Rs. 27,574,000 (14.92%) was surrendered increasing net excess to Rs. 371,198,000 (200.86%).

The PAO informed the Committee that a supplementary grant of Rs. 371,198,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee directed the call the representative of the Cabinet Division for the clearance of issue of above grant. The Committee will discuss the issue in its next meeting.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES
ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 17th April, 2014 while examining the Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Petroleum and Natural Resources are given below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03

1. **PARA-201 & 202 ARPSE 2002-03**
WORKING RESULTS OF THE COMPANY

2. **PARA-202.1 ARPSE 2002-03**
73% INCREASE IN GENERAL AND ADMINISTRATIVE EXPENSES OF THE
COMPANY AS COMPARED TO THE PREVIOUS YEAR DUE TO PROVISION
OF RS. 326.025 MILLION AGAINST ADVANCES.

3. **PARA-203, PAGE 234, ARPSE-2002-03**
EXTRA AMOUNT OF US\$ 3.588 MILLION PAID TO FOREIGN OPERATORS
FOR OPERATING THE PLANT

PAC DIRECTIVE

The Committee settled the above (3) paras and directed the PAO to follow the terms and conditions as well as time –lines of the contracts in future.

4. **PARA-202.2 ARPSE 2002-03**
INCREASE IN CONTINGENCY RESERVE FUND FROM RS. 450.878 MILLION
AS ON JUNE 30, 2002 TO RS. 1,363.968 MILLION AS ON JUNE 30, 2003.

Audit stated that the DAC recommended the para for settlement on 13-07-2011 as Audit has verified the factual position regarding increase in contingency reserves from Rs.1,659.614 million as on June 30, 2004 to Rs.1,363.967 million as on June 30, 2003. Big jump occurred in the contingency reserves fund.

The Committee enquired from the management what was the profit of keeping the increased contingency reserves of Rs.5 billion, if lying idle, the management, OGDCL apprised the Committee that premium will be paid on it.

PAC DIRECTIVE

The Committee directed the PAO to submit comparative analysis of the contingency reserves of the Company and report to the Sub-Committee in its next meeting.

5. **PARA-204, PAGE-235, ARPSE-2002-03**
IRREGULAR PAYMENT OF RS. 634,884 DUE TO GRANT OF ADVANCE
INCREMENT

Audit stated that the management informed that scheme of advance increments adopted by OGDCL has been discontinued with effect from 01.09.2003. The DAC directed on 13-02-2014 to recover the amount from the persons still in service and get it verified from audit. Audit pointed out that when Plant was completed, no human resource was available. Two contracts were extended for the training of human resource. Training was not imparted by the contractor due to ban on recruitment during that time and amount was not saved. Audit verified on 01.04.2014 that no recovery has been made so far.

Management apprised the Committee that this pars has been discussed in DAC meeting held on 22.06.2004 wherein DAC directed the Company to provide the copy of Board's decision for regularization of over payment by the competent authority. Accordingly a copy of Board's decision vides No.Board-0104/17/492-1 dated 28.08.2003 regarding advance increment on acquiring higher qualification was provided.

The PAO apprised the Committee that plant was early commissioned and such type of lapse occurred with the contractors as the situation was not in favour of the Company. He ensured the Committee that contracts will be in accordance with the time line in future. It is the judgment of Supreme Court of Pakistan that illegal amount paid can hardly be returned.

The Committee also asked the opinion from the Finance Representative, who also stressed on the decision of SCP however, suggested that Special Committee has been constituted by PAC which may decide on it.

PAC DIRECTIVE

The Committee directed the PAO to implement the recommendations of DAC held on 13-02-2014, get verified the recoveries by the Audit and report to the Committee in its next meeting.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 30th April, 2014 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Petroleum and Natural Resources are given below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR, 2002-03

1.
 - i. **PARA-187, PAGE-221**
SALE AGREEMENT SIGNED BETWEEN THE SSGCL, SNGPL AND PPL, THE SUI GAS PURIFICATION PLANT WAS TAKEN OVER BY PPL ON JULY 1, 2002.
 - ii. **PARA-188, PAGE-221**
WORKING RESULTS OF THE COMPANY FOR THE YEAR 2002-2003 AS COMPARED WITH THOSE OF THE PREVIOUS YEARS
 - iii. **PARA-188.1, PAGE-221**
THE SALES INCREASED BY 90.147% OVER THE PREVIOUS YEAR. SIMULTANEOUSLY FIELD DEVELOPMENT EXPENSES INCREASED BY 80.38% OVER THE PREVIOUS YEAR. RESULTANTLY, OPERATING PROFIT AND PROFIT AFTER TAXATION ALSO INCREASED BY 103.19% AND 130.31% RESPECTIVELY OVER THE PREVIOUS YEAR.
 - iv. **PARA-188.2, PAGE-221**
FINANCIAL CHARGES INCREASED FROM RS. 2.582 MILLION IN 2001-2002 TO RS 38.492 MILLION IN 2002-2003 REFLECTING AN INCREASE OF 1,390%. INCREASE IN FINANCIAL EXPENSES NEEDS ELUCIDATION.

PAC DIRECTIVE

The Committee settled the above four paras.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

ACTIONABLE POINTS

Actionable Points arising from discussion of the meeting of PAC held on 13th May, 2014 while examining of Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2002-03 pertaining to M/o Petroleum and Natural Resources are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I, 2002-03

1. i) **GRANT NO.141**
EXCESS OF RS.371,198,000/-
- ii) **GRANT NO.143**
EXCESS OF RS.805,210,000/-

PAC DIRECTIVE

The Committee pended both the grants with the direction that the PAO/Secretary, Cabinet Division should explain Cabinet Division's view point on the Grants in its next meeting.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR, 2002-03

NATIONAL REFINERY LIMITED

2. i) **PARA-185, PAGE-219**
INTRODUCTORY PARA
- ii) **PARA-186, PAGE-219**
WORKING RESULTS OF THE COMPANY
- iii) **PARA-186.1, PAGE-219**
THE OPERATING PROFIT INCREASED TO RS. 1,573.606 MILLION
DURING THE YEAR UNDER REVIEW AS AGAINST RS.1,016.561
MILLION DURING THE PREVIOUS YEAR.
- iv) **PARA-186.2**
THE COMPANY EARNED A NET PROFIT OF RS. 1,351.877 MILLION
IN THE YEAR UNDER REVIEW AS COMPARED TO PREVIOUS YEAR
PROFIT OF RS. 781.146 MILLION REGISTERING AN INCREASE BY
73.06%.
- v) **PARA-186.3, PAGE-220**
TRADE DEBTS INCREASED TO RS. 5,891.659 MILLION IN 2002-2003
AS AGAINST RS. 5,489.378 MILLION IN 2001-2002

- vi) PARA-186.4
CAPITAL WORK-IN-PROGRESS INCREASED TO RS. 77.867 MILLION AS ON JUNE 30, 2003 FROM RS. 56.082 MILLION AS ON JUNE 30, 2002 REGISTERING AN INCREASE BY 38.84%.
- vii) PARA-186.5
CASH AND BANK BALANCE ROSE TO RS.522.152 MILLION AS ON JUNE 30, 2003 FROM RS.54.422 MILLION SHOWING AN INCREASE OF 860.52%
- PAKISTAN STATE OIL COMPANY LIMITED
- viii) PARA-189, PAGE-222
EXPENDITURE OF THE COMPANY AMOUNTING TO RS.1,643/- MILLION DURING 2002-03 TO EXPAND ITS RETAIL NET WORK AND INFRASTRUCTURE.
- ix) PARA-190
WORKING RESULTS OF THE COMPANY FOR THE YEAR 2002-03 AS COMPARED WITH THOSE OF THE PREVIOUS YEARS
- x) PARA-190.1
INCREASE IN NET SALES OF THE COMPANY TO RS.172,445.775 MILLION DURING THE YEAR, 2002-03 FROM RS.153,110.993 MILLION DURING THE PREVIOUS YEAR 2001-02.

PAC DIRECTIVE

The Committee settled the above ten paras.

PAKISTAN STATE OIL COMPANY LIMITED

3. i) PARA-190.2
TRADE DEBTS STOOD AT RS. 8,070.767 MILLION AS ON JUNE 30, 2003 AS AGAINST RS. 7,846.584 MILLION AS ON JUNE 30, 2002 INCLUDED THEREIN WERE RS. 231.450 MILLION PROVIDED FOR DOUBTFUL DEBTS.
- ii) PARA-191, PAGE-223
MISAPPROPRIATION OF DIESEL OIL VALUED AT RS.11.785 MILLION BY CARTAGE CONTRACTOR
- iii) PARA-192, PAGE-224
MISAPPROPRIATION OF DIESEL OIL VALUED AT RS. 4.200 MILLION BY CARTAGE CONTRACTOR

PAC DIRECTIVE

The Committee pended the above three paras due to absence of the Managing Director of the Company till its next meeting.

SUI SOUTHERN GAS COMPANY LIMITED

4. i. **PARA-193, PAGE-225**
INTRODUCTORY PARA
- ii. **PARA-194**
WORKING RESULTS OF THE COMPANY FOR THE YEAR 2002-2003
AS COMPARED TO PREVIOUS
- iii. **PARA-194.1, PAGE-226**
COST OF REPAIR AND MEINTENANCE OF TWO COMPRESSORS
ENHANCED TO RS.403.537MILLION FROM RS.181.495 MILLION
DURING THE PREVIOUS YEAR SHOWING AN ABNORMAL
INCREASE OF 123%
- iv. **PARA-194.2**
FINANCIAL EXPENSES CHARGED TO PROFIT AND LOSS ACCOUNT
REGISTERED AN INCREASE BY 14.48% OVER THE PREVIOUS
YEAR, WHICH AFFECTED THE PROFIT BEFORE TAX BY 4.90%
REDUCING IT TO RS.2,049.001 MILLION IN 2002-03 FROM
RS.2,154.474 MILLION IN 2001-02.
- v. **PARA-194.3, PAGE-227**
PROVISION OF RS.16.436 MILLION DURING 2002-03 AS AGAINST
RS.17.066 MILLION DURING 2001-02 WAS MADE FOR IMPAIRMENT
OF STORES.
- vi. **PARA-194.4**
DECREASING OF LOANS, ADVANCES, DEPOSITS, PAYMENTS AND
OTHER RECEIVABLES TO RS.1,420.123 MILLION DURING THE
YEAR2002-03 AS AGAINST RS. 2333.199 MILLION DURING THE
PREVIOUS YEAR
- vii. **PARA-194.5(ARPSE-2002-03)**
PROVISION OF RS.999.976 MILLION FOR DOUBTFUL DEBTORS
DURING 2002-03 AS AGAINST RS.804,337 MILLION DURING THE
PREVIOUS YEAR

PAC DIRECTIVE

The Committee settled the above seven paras.

5. **PARA-195(ARPSE-2002-03)**
LOSS OF RS.10.336 MILLION DUE TO REJECTION OF INSURANCE CLAIM

Audit pointed out that tower collapsed due lack of maintenance of the management.

The Management apprised the Committee that they have maintained the tower well but the gear of the tower collapsed due to natural corrosion. It was not included in the agreement with National Insurance Company, Limited (NICL), therefore, insurance claim was rejected by the NICL.

PAC DIRECTIVE

The Committee discussed the para in detail but could not satisfy with the reply of the Management. The Committee directed the PAO to resolve the issue in DAC and report to the Committee. The Sub- Committee will discuss the report in its next meeting.

SAINDAK METALS LIMITED

6. i) **PARA-196, PAGE-228 (ARPSE-2002-03)**
STATEMENT OF FACTS ABOUT THE COMPANY
- ii) **PARA-197ARPSE 2002-03**
WORKING RESULTS OF THE COMPANY
- iii) **PARA-197.1ARPSE 2002-03**
LOSS OF RS. 1,284.709 MILLION AS AGAINST LOSS OF RS. 1,450.374 MILLION SUSTAINED DURING THE PREVIOUS YEAR.
- iv) **PARA-197.2ARPSE 2002-03**
OUTSTANDING AMOUNT OF RS. 445.537 MILLION WAS BEING SHOWN IN THE BALANCE SHEET AS RECEIVABLES DURING THE YEAR FROM METEOROLOGICAL RESOURCES DEVELOPMENT LIMITED (MRDL) FOR WHICH AN INVOICE WAS RAISED ON MAY 19, 2003 IN RESPECT OF STORES, SPARES AND STOCKS IN TRADE HANDED OVER TO MRDL, UNDER THE LEASE CONTRACT ON OCTOBER 2, 2002
- v) **PARA-197.3, PAGE-229ARPSE 2002-03**
LOSSES OF RS. 12.723 BILLION AS ON JUNE 30, 2003 AND ITS CURRENT LIABILITIES EXCEEDED CURRENT ASSETS BY RS. 1.345 BILLION AS ON JUNE 30, 2003

PAC DIRECTIVE

The Committee pended the above five paras till its next meeting.

B.P. PAKISTAN EXPLORATION AND PRODUCTION INC.

7. i) **PARA-02(26), PAGE-09**
NON-SUBMISSION OF ACCOUNTS FOR THE YEAR 2002-03

PAC DIRECTIVE

The Committee settled the para.

STATE PETROLEUM REFINING AND PETROCHEMICAL CORPORATION
(PVT) LIMITED

8. **PARA-02(47)(ARPSE-2002-03)**
NON-SUBMISSION OF ACCOUNTS

PAC DIRECTIVE

The Committee settled the para.

SUI SOUTHERN GAS COMPANY LIMITED

9. **PARA-194.1, PAGE-226**
COST OF REPAIR AND MAINTENANCE OF TWO COMPRESSORS
ENHANCED TO RS.403.537MILLION FROM RS.181.495 MILLION DURING
THE PREVIOUS YEAR SHOWING AN ABNORMAL INCREASE OF 123%

Audit pointed out that increasing trend of repair and maintenance cost required to be examined as it enhanced to Rs.403.537 million from Rs.181.495 million during the previous year showing an abnormal increase of 123% .

The management apprised the Committee that the cost increased mainly due to maintenance cost of two compressor engines which were proprietary and sent to M/s. VOLVO France for overhauling.

Mian Abdul Manan, MNA raised objection during the discussion on the above para that the profit of Sui Northern Gas Company is being transferred to the account of Sui Southern Gas Company.

The Management apprised the Committee on the query that the Company makes the payment at the cost of adjustment and FBR imposed taxes on equalization cost.

PAC DIRECTIVE

The Committee directed the PAC Secretariat to call the representative of FBR in the next coming meeting to answer the queries about imposition of taxes during discussion on the Audit Paras of Sui Northern Gas Pipelines Limited and pended the para till its next meeting.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES
ACTIONABLE POINTS

Actionable Points arising out from the discussions of meeting of PAC held on 20th May, 2014 while examining the Appropriation Accounts/Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Ministry of Petroleum and Natural Resources are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-1/2002-03

1. GRANT NO. 141- DEVELOPMENT EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES
(EXCESS OF RS.371,198,000)

AGPR pointed out that the grant closed with an excess of Rs.343,624,000/- which worked out to 185.94% of the total grant. An amount of Rs.27, 574,000/- (14.92%) was surrendered increasing net excess to Rs.371,198,000/- (200.86%). A supplementary grant of Rs.371,198,000/- was sanctioned for the development of Sui Northern Gas Company but not included in supplementary schedule of authorized expenditure.

The PAO, M/o Petroleum and Natural Resources apprised the Committee that procedural and accounting error has been corrected in the basic account. The representatives of the Cabinet Division may clarify the issue on the grants.

The Additional Secretary, Cabinet Division apprised the Committee that this particular grant does not relate to the Cabinet Division. It was shown under the control of Local Government and transferred in 2010-11. Cabinet Division has no record of the Grant. It must have gone directly to the Finance Division.

Audit pointed out that this supplementary grant was sanctioned but was not included in the supplementary schedule so it was not voted.

PAC DIRECTIVE

The Committee directed the PAO to get its authorization from the National Assembly during budget session for inclusion in the supplementary schedule of authorized expenditure.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03
(PREPARED BY DG (CA&E), LAHORE)

PIRKOH GAS COMPANY (PVT) LIMITED

- 2. i) PARA 198& 199 (PAGE 230-ARPSE-2002-03)**
ii) PARA 199.1 (PAGE 231-ARPSE-2002-03)

- iii) **PARA 199.2 (PAGE 131-ARPSE-2002-03)**
- iv) **PARA 199.3 (PAGE 231-ARPSE-2002-03)**
- v) **PARA 200 (PAGE 231&232-ARPSE-2002-03)**

SUI NORTHERN GAS PIPELINES LIMITED

- vi) **PARA 205& 206 (PAGE 237-ARPSE-2002-03)**
- vii) **PARA 206.1 (PAGE 238-ARPSE-2002-03)**
- viii) **PARA 206.2 (PAGE 238-ARPSE-2002-03)**
- ix) **PARA 206.3 (PAGE 238-ARPSE-2002-03)**
- x) **PARA 206.4 (PAGE 238-ARPSE-2002-03)**
- xi) **PARA 206.5 (PAGE 231-ARPSE-2002-03)**
- xii) **PARA 206.6 (PAGE 238-ARPSE-2002-03)**

PAC DIRECTIVE

The Committee settled the above mentioned 12 paras.

3. PARA 207 (PAGE 239) ARPSE 2002-03 **BLOCKAGE OF FUNDS OF RS.1.195 MILLION DUE TO UNNECESSARY** **PROCUREMENT OF FLANGES AND SUBMISSION OF FAKE** **CONSUMPTION CERTIFICATES TO AVOID CUSTOM DUTY OF RS.673,483**

Audit pointed out that the Sui Northern Gas Pipelines Limited (SNGPL) placed a purchase order for import of flanges of different sizes on May 12, 1996, which were received on March 15, 1997. The Bin Card of the flanges of 3" (77% of total order value) indicated that out of 2,369 number flanges valued at Rs. 1,195,298 only 112 number (i.e 4.73%) had been used up to June 30, 2003 leaving a balance of 2,257 number (i.e 95.27%) thus blocking funds of the Company to that extent. Further, according to indemnity bond submitted by SNGPL to Customs Authorities, these items were to be consumed within five years to avail the facility of exemption from duty of Rs. 673,000/-.

The PAO stated that the stock of flanges is being regularly utilized and out of Rs. 2,369 flanges, 2,119 flanges have been utilized on new connection, replacement and modification etc. leaving a balance of Rs. 250 flanges as on 30-06-2007.

PAC DIRECTIVE

The Committee settled the para subject to provision of consumption certificate to Audit for verification.

AUDIT REPORT FOR THE YEAR 2002-03

4. **PARA 6.1 (PAGE 191-AR-2002-03)**
NON-REALIZATION OF INTEREST FOR LATE PAYMENT OF GAS
DEVELOPMENT SUCHARGE –RS.217.210 MILLION

Audit pointed out that M/s SNGPL and M/s Mari Gas Company, Ltd. did not deposit gas development surcharge in time in respect of gas sold to WAPDA. The late deposit gas development surcharge attracted levy of interest of Rs.217.210 million i.e Rs.114.545 million was recoverable from Mari Gas Company and RS.102.665 million from SNGPL.

The Management replied that in respect of Mari Gas Company (MGCL) explained that one time waiver by ECC was granted and interest of Rs.13.582 million as accrued up-to 30-06-2001 has been waived off vide ECC's decision and SRO-(I)/2008 dated 27-06-2006 being included in Rs. 832 million. The matter for the second time waiver was taken up with the Ministry of Finance which was turn down.

The DG gas replied that issue of late payment surcharge on non/delayed payment of Gas Development Surcharge (GDS) will be resolved with the resolution of circular debt issue.

The PAO requested the Committee to lend more time to probe in the issue.

PAC DIRECTIVE

The Committee directed the PAO to resolve the issue within a month and report back to the Committee in its next meeting.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 31st December, 2014 while examining Audit Reports/Special Audit Reports for the year 2002-03 pertaining to Ministry of Petroleum and Natural Resources are given below:

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2002-03

OIL AND GAS DEVELOPMENT COMPANY LIMITED

1) **PARA -202.2 ARPSE 2002-03**
AUDIT COMMENTS

The Audit pointed out that contingency Reserve Fund increased from Rs 450.878 million as on June 30, 2002 to Rs. 1,363.968 million as on June 30, 2003. Contingency Reserve Fund represents the funds set aside by the Company for self-insurance of rigs/wells/plants, workman compensation and vehicle repair.

Management replied that the contribution to self-insurance fund was made for Rs. 800 million during the year 2002-03 approved by the Board of Directors to cover OGDCL's those assets, which are not covered under any insurance arrangement. After the incident of 11th September 2001, insurance rates have increased many folds. Instead of payment of heavy amounts of insurance companies, the contribution toward insurance fund has been made after approval of the Board of Directors. The contingency reserve of the company increased to Rs. 1,659.614 million as on June 30, 2004 as compared to Rs. 1,361,967 million as on June 30, 2003. The procedure of self-insurance fund has been provided to audit.

It was brought to the notice of Committee that DAC has already recommended the para for settlement in its meeting dated 30.07.2011.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit.

2) **PARA-204,PAGE-235, ARPSE-2002-03**
IRREGULAR PAYMENT OF RS. 634, 884 DUE TO GRANT OF ADVANCE
INCREMENT

Audit pointed out that in accordance with the government instructions contained in Para 15 of Finance Division OM No. 1(11 Imp/83 dated 18.08.1983, the Doctors, Engineers, Educationists, Economists, Management Accountants, Scientists, Geologists, Pharmacist, and Meteorologists working in Universities,

Colleges, Research Institution or Technical Departments were allowed advance increments on possessing/acquiring higher qualification. The matter was referred by the Ministry of petroleum and Natural Resources to extend this facility to OGDCL employees to Finance Division on May 26, 1998. The Finance Division clarified on July 10, 1998 that the above facility had not been extended to the employees of Autonomous/Semi-Autonomous Bodies. But in violation of these instructions the management of OGDCL allowed four advance increments to its officers on the analogy of government rules resulting into overpayment of Rs 634. 884 till February, 2002.

The Management replied that the Board of Directors in their resolution dated 23.08.2003 has approved the adoption of Government of Pakistan notification No. F(1)Imp/83 and F-1/7/Imp-11/87 dated 18.08.83 and 01.07.87 respectively by the then Chairman OGDC. Board also decided that salary of Mr. Muhammad Afzal Chaudhry (OG-1566) and Mr. Muhammad kif (OG-1976) being not eligible for the advance increments under the above notifications be re-fixed with effect from 1.09.2003 as if no advance increment had been allowed to them. Management informed that 4 officers were awarded advance increments in this regard. 3 have been retired and 1 is in service and its impact is Rs. 634,884. This irregularity has been regularized from Board of Governors. Recovery from 2 officers has been made. The management informed that scheme of advance increments adopted by OGDCL has been discontinued with effect from 01.09.2003. The DAC on 13.02.2014 directed to recover the amount from the persons still in service and get it verified from an audit.

The Committee showed displeasure on the discrimination that recovery is being made from only 2 out of 4 officers.

SUB COMMITTEE DIRECTIVE

The committee pended the pare with the direction that the recovery should be made from all.

PAKISTAN STATE OIL (PSO)

3) PARA-190.2, PAGE-223 AUDIT COMMENTS

The Audit stated that trade debts stood at Rs 8,070.767 million as on June 30, 2003 as against Rs 7,846.584 million as on June 30, 2002 included therein were Rs 231.450 million provided for doubtful debts out of which the amount of Rs.84 million was outstanding against Rail and Hajveri for airlines in which unsecured POL was supplied.

The representative of NAB apprised the Committee that actually the cases were against M/S Hajveri Airlines and M/S Raji Airlines.

CASE AGAINST M/S HAJVERI AIRLINES

The representative of NAB informed the Committee that Officers of P50 granted unauthorized credit facility for Rs. 67.3 Million to MA Hajveri Airlines on supply of Jet Fuel. The cheques provided by the airline were dishonored. Three persons (Habib Zuberi, Marketing Manager PSO, Jahangir NooruddinWaheed Ansari, GM SPL Business and Touqeer Sultan Awan, Chairman M/s Hajveri Airlines) are accused. It was further told that Reference no. 33/2003 was filed in Accountability Court Sindh on 27, December, 2003 against the three accused persons for causing loss to Government exchequer but later on it was withdrawn under 31 -B of National Accountability Ordinance, 1999 on 22-02-2006 due to the reason that M/s Hajverl Airlines obtained credit facility under a commercial arrangement. Upon default, the said airline, PSO filed a civil suit no. 249 of 1994 before Honorable High Court Sindh at Karachi for recovery of an amount of Rs. 76.42 million.

CASE AGAINST M/S RAJI AIRLINES

The representative of NAB informed the Committee that unauthorized credit facility for Rs.14.3 million was granted to the said airline by the P50. The cheques given by the M/s Raji Airlines against overdue payment were dishonored. Three persons (Habib Zuberi, Marketing Manager PSO, Jahangir NooruddinWaheed Ansari, GM SPL Business and Capt. EJazRab, MD M/s Raji Aviation Karachi) are accused.

The representative of NAB stating about the current status of the case told the Committee that the case was closed at NAB on 29-07-2004 due to the reason that P50 has filed civil suit void no. 408/94 for recovery of an amount of Rs. 14.3 million In the Honorable High Court Sindh at Karachi. Subsequently M/s Raji Aviation also lodged a suit void no. 1424/99 for counter claim against PSO.

PAC DIRECTIVE

The committee pended the para with the direction that the Chairman NAB may explain the issue in the next meeting.

4) PARA-192, PAGE-224 MISAPPROPRIATION OF DIESEL VALUED AT RS 4.200 MILLION BY CARTAGE CONTRACTOR

Misappropriation of diesel valued at Rs 4.200 million by Cartage Contractor Audit pointed out that in the year 1998 M/s Gillani Cartage contractor obtained 26 tank load of oil product valued at Rs 4.200 million from PSO deport Mehmood Kot and mis-appropriated the same instead of delivering the load at the destination. Further, the cartage contractor sub let the transportation work to

another transport company without permission of PSO in violation of the contract. The case was registered with FIA crime circle Multan.

PAO replied that the case was returned by the NAB Court to FIA, with the observations to file case before Special Judge, Central, Multan. However, FIA has not filed the case as yet. However, we have advised our lawyer to file an application before Special Judge, Central, Multan to seek direction from the Court to FIA to file case before it.

It was brought in the notice of Committee that civil suit no. 1593/2006 was also filed against Mr. Arshad Ahmed Jillani for the recovery of defaulted amount. The summons was served to respondents for appearance before court. The respondents appeared before court, filed their written statement and also moved an application under order 7/11 CPC on 02.04.2007 for rejection of complaint, which was rejected on 10.11.2008. It is also pertinent to mention here that during this judicial crisis was also started and no proceedings were held in all over Pakistan courts. On 06.04.2009 consent issues were framed and commission was appointed for recording evidence. P50 presented one witness (Mr. Maroon Ahmed) and filed affidavit in this regard and also that witness is also cross examined by the opponent counsel and closed evidence on 23.11.2010. The Cartage Contractor also filed the affidavit in evidence of their one witness on 21.03.2011. He was examined and cross examined by the counsel of PSO, after that Cartage Contractor closed their evidence. The commissioner submitted entire evidence before court on 19.05.2011. The subject suit was lastly fixed for hearing for 29.11.2013 for argument.

The Audit stressed that NAB may be asked to explain the current status. The representative of NAB stated that the allegation was corrupt practice and misuse of authority on Arshad Naseer Khan and others. It was further informed that after finalization of investigation, the matter was referred to accountability court under reference number 21/2009 and is under trail in Accountability Court, Lahore. The next hearing is on 3rd Jan; 2015 for final arguments.

The Audit requested the Committee to ask the representative of NAB to explain about the case.

The representative of NAB stated that the allegation was corrupt practice and misuse of authority on Arshad Naseer Khan and others. It was further informed that after finalization of investigation, the matter was referred to accountability court under reference number 21/2009 and is under trail In Accountability Court, Lahore. The next hearing is on 3rd Jan; 2015 for final arguments. The Committee was not satisfied by the reason given by the NAB.

PAC DIRECTIVE

The Committee pended the para till its next meeting.

SUI SOUTHERN GAS COMPANY LIMITED

5) **PARA-195PAGE-227,ARPSE-2002-03,**
LOSS OF RUPEES 10.336 MILLION DUE TO REJECTION OF INSURANCE
CLAIM LOSS OF RS. 10.336 MILLION DUE TO REJECTION OF INSURANCE
CLAIM

Audit told that the Management of Sui Southern Gas Company Limited lodged an Insurance claim on September 6, 2001 with National Insurance Corporation (MC) for an amount of Rs 10.336 million due to collapse of 450 ft high Micro Wave Tower installed at Nawabshah.

The claim was rejected by NICL taking the plea that tower had collapsed due to lack of proper maintenance.

The PAO replied that the insurance company rejected the claim on the basis of surveyor's findings who reported that the collapse was due to lack of maintenance. The company has vehemently opposed the findings and claimed that the maintenance was upto the mark and the tower collapsed due to wind storm, covered under the policy.

PAC DIRECTIVE

The Committee directed to discuss the para at DAC level and come up with the outcome in the next meeting.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 04th February, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2002-03 pertaining to Ministry of Petroleum and Natural Resources are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-1/2002-03

1. **GRANT NO. 141-DEVELOPMENT EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES (Excess of Rs. 371,198,000/-).**

AGPR pointed out that the grant closed with an excess of Rs.343,624,000/- which worked out to 185.94% of the total grant. An amount of Rs.27, 574,000/- (14.92%) was surrendered increasing net excess to Rs.371, 198,000/- (20.86%). A supplementary grant of Rs.371, 198,000/- was sanctioned for the development of Sui Northern Gas Company but not included in supplementary schedule of authorized expenditure.

The Sub Committee on 20th May, 2015 directed the PAO to get its authorization from the National Assembly during budget session for inclusion in the supplementary schedule of authorized expenditure.

PAO replied that needful will be done in the next budget.

PAC DIRECTIVE

The Committee regularized the grant.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2002-03

PAKISTAN STATE OIL (PSO)

2. **PARA-190.1. PAGE-222 ARPSE 2002-03
INCREASE IN OPERATING AND MARKETING EXPENSES.**

PAC DIRECTIVE

The Committee settled the para on the recommendation of Audit.

3. PARA.190.2. PAGE-223 ARPSE 2002-03
AUDIT COMMENTS

The Audit stated that trade debts stood at Rs. 8,070.767 million as on June 30, 2003 as against Rs. 7,846.584 million as on June 30, 2002 included therein were Rs. 231.450 million provided for doubtful debts out of which the amount of Rs.84 million was outstanding against Raji and Hajveri for airlines in which unsecured POL was supplied.

The NAB explained the committee that the case is in civil court and till its finalization the criminal proceedings against the accused cannot be started. The criminal proceedings can be started when the charge is framed.

The PAO replied that an amount of Rs. 15.134 million and Rs. 4.400 million has been recovered which will be verified from Audit. As regard the M/s Hajveri Airlines and M/s Raji Airlines, the matter is subjudice in the court at final stage and will be finalized soon.

The committee was also informed that the PSO has lodged its claim because the company has been liquidated. The liquidation process is in Lahore High Court.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to pursue the cases vigorously and keep informing the PAC about the progress.

4. PARA-192. PAGE-224 ARPSE 2002-03
MISAPPROPRIATION OF DIESEL VALUED AT RS. 4.200 MILLION BY
CARTAGE CONTRACTOR

Audit pointed out that in the year 1998 M/s Gallani Cartage contractor obtained 26 tank load of oil product valued at Rs 4.200 million from PSO depot Mehmood Kot and mis-appropriated the same instead of delivering the load at the destination. Further, the cartage contractor sublet the transportation work to another transport company without permission of PSO in violation of the contract. The case was referred to NAB during the previous PAC meeting.

The NAB informed that the case has been decided on 18th January 2015. One accused has been made plea bargain and other is convicted and punished for five years jail. Detail decision will be provided soon.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovery from the Audit.

SUI SOUTHERN GAS COMPANY LIMITED

5. PARA-195, PAGE-227 ARPSE 2002-03 LOSS OF RS 10.336 MILLION DUE TO REJECTION OF INSURANCE CLAIM

Audit told that the Management of Sui Southern Gas Company Limited lodged an insurance claim on September 6, 2001. with National Insurance Corporation (NIC) for an amount of Rs 10.336 million due to collapse of 450 ft high Micro Wave Tower installed at Nawabshah. The claim was rejected by NICL taking the plea that tower had collapsed due to lack of proper maintenance.

PAO informed that the irregularity will be got regularized from Ministry of Finance.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by Audit.

SANDAK METALS LIMITED

6. PARA-197.2 PAGE-228 ARPSE 2002-03 AUDIT COMMENTS

PAC DIRECTIVE

The committee settled the para.

MINISTRY OF PETROLEUM & NATURAL RESOURCES

7. PARA 6.1, PAGE-191 ARPSE 2002-03 NON-REALIZATION OF INTEREST FOR LATE PAYMENT OF GAS DEVELOPMENT SURCHARGE — RS.217.210 MILLION

Audit pointed out that M/s SNGPL and M/s Mari Gas Company, Ltd. did not deposit gas development surcharge in time in respect of gas sold to WAPDA. The late deposit gas development surcharge attracted levy of interest of Rs.217.210 million i.e Rs.114.545 million was recoverable from Mari Gas Company and Rs.102.665 million from SNGPL .

The PAO replied that reference has been sent to Ministry of Finance for guidance.

PAC DIRECTIVE

The Committee directed the PAO to resolve the issue at DAC level and submit report to the Committee in next meeting.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2002 - 03
OIL AND GAS DEVELOPMENT COMPANY LIMITED

8. PARA 202.2 ARPSE 2002-03
INCREASE IN CONTINGENCY RESERVE FUND.

PAC DIRECTIVE

The Committee settled the para on recommendation of Audit.

9. PARA-204. PAGE-235 ARPSE 2002-03
IRREGULAR PAYMENT OF RS. 634, 884 DUE TO GRANT OF ADVANCE
INCREMENT

Audit pointed out that in accordance with the government instructions contained in Para 15 of Finance Division OM No. 1(1) Imp/83 dated 18.08.1983, the Doctors, Engineers, Educationists, Economists, Management Accountants, Scientists, Geologists, Pharmacist, and Meteorologists working in Universities, Colleges, Research Institution or Technical Departments were allowed advance increments on possessing/acquiring higher qualification. The matter was referred by the Ministry of petroleum and Natural Resources to extend this facility to OGDCL employees to Finance Division on May 26, 1998. The Finance Division clarified on July 10, 1998 that the above facility had not been extended to the employees of Autonomous/Semi-Autonomous Bodies. But in violation of these instructions the management of OGDCL allowed four advance increments to its officers on the analogy of government rules resulting into overpayment of Rs. 634, 884 till February, 2002.

The PAO replied that recovery has been started w.e.f. February 2015. The PAO also promised to recover the amount from the pensioners after fulfilling the legal formalities.

PAC DIRECTIVE

The Committee pended the para till next meeting.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES
ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 18th February, 2015 while examining Audit Reports/Special Audit Reports for the year 2003-04 pertaining to Ministry of Petroleum and Natural Resources are given below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03

1. PARA.190.2. PAGE-223 ARPSE 2002-03
AUDIT COMMENTS

The Audit stated that trade debts stood at Rs. 8,070.767 million as on June 30, 2003 as against Rs. 7,846.584 million as on June 30, 2002 included therein were Rs. 231.450 million provided for doubtful debts out of which the amount of Rs.84 million was outstanding against Raji and Hajveri for airlines in which unsecured POL was supplied.

The representative of NAB again repeated his view that the case is in civil court and till its finalization the criminal proceedings against the accused cannot be started. The criminal proceedings can be started when the charge is framed. He told that when it came in notice of accountability court that the case in civil court, then it was withdrawn.

The PAO apprised the Committee that the cases are in court and being pursued. He further informed that both of the Companies are in Liquidation process. The Committee was also informed that the PSO has lodged its claim.

PAC DIRECTIVE

The Committee referred the para to the Chairman NAB to inquire the matter and fix the responsibility upon those involved in withdrawal of the case. The Committee also directed the Chairman to reconsider it with the consultation of PSO for submitting the case to the court of Law.

2. i. PARA-192 PAGE-224 ARPSE 2002-03
MISAPPROPRIATION OF DIESEL VALUED AT RS. 4.200 MILLION BY
CARTAGE CONTRACTOR

Audit pointed out that in the year 1998 M/s Gallani Cartage contractor obtained 26 tank load of oil product valued at Rs 4.200 million from PSO depot Mehmood Kot and mis-appropriated the same instead of delivering the load at the destination. Further, the cartage contractor sublet the transportation work to another transport company without permission of PSO in violation of the contract. The case was referred to NAB.

The NAB informed that the one accused had made a plea bargain and deposited the amount in bank record of which shall be provided to PSO and the other accused was convicted in Court and punished for five years imprisonment.

ii. **PARA-195, PAGE-227**
LOSS OF RS 10.336 MILLION DUE TO REJECTION OF INSURANCE CLAIM

Audit told that the Management of Sui Southern Gas Company Limited lodged an insurance claim on September 6, 2001 with National Insurance Corporation (NIC) for an amount of Rs 10.336 million due to collapse of 450 ft high Micro Wave Tower installed at Nawabshah. The claim was rejected by NICL taking the plea that tower had collapsed due to lack of proper maintenance.

PAC DIRECTIVE

The Committee settled the above two paras subject to verification of the record of recovery by the Audit and report to PAC .

AUDIT REPORT FOR THE YEAR 2002-03 FEDERAL AUDIT

3. **PARA 6.1, PAGE-191**
NON-REALIZATION OF INTEREST FOR LATE PAYMENT OF GAS DEVELOPMENT SURCHARGE – RS.217.210 MILLION

Audit pointed out that M/s SNGPL and M/s Mari Gas Company, Ltd. did not deposit gas development surcharge in time in respect of gas sold to WAPDA. The late deposit gas development surcharge attracted levy of interest of Rs.217.210 million i.e Rs.114.545 million was recoverable from Mari Gas Company and RS.102.665 million from SNGPL.

The PAO replied that both the Companies had not paid development surcharge in respect of Gas sold because WAPDA did not made timely payment on cost of Gas. He also informed that DAC in its meeting held on 16-2-2015 concluded that for the effective date of book adjustment on 30-4-2002 for which reference was made to M/o Finance clarification, it has been considered that it may not be appropriate to charge mark up to any entity.

PAC DIRECTIVE

The Committee pended the para with the direction to resolve the issue with the M/o Water and Power and M/o Finance and to report to the Committee.

AUDIT REOPRT PUBLIC SECTOR ENTERPRISE 2002-03

4. PARA-204, PAGE-235 IRREGULAR PAYMENT OF RS. 634, 884 DUE TO GRANT OF ADVANCE INCREMENT

Audit pointed out that in accordance with the government instructions contained in Para 15 of Finance Division OM No. 1(1) Imp/83 dated 18.08.1983, the Doctors, Engineers, Educationists, Economists, Management Accountants, Scientists, Geologists, Pharmacist and Meteorologists working in Universities, Colleges, Research Institution or Technical Departments were allowed advance increments on possessing/acquiring higher qualification. The matter was referred by the Ministry of petroleum and Natural Resources to extend this facility to OGDCL employees to Finance Division on May 26, 1998. The Finance Division clarified on July 10, 1998 that the above facility had not been extended to the employees of Autonomous/Semi-Autonomous Bodies. But in violation of these instructions the management of OGDCL allowed four advance increments to its officers on the analogy of government rules resulting into overpayment of Rs. 634, 884 till February, 2002.

The PAO replied that recovery has been started w.e.f. February 2015. The PAO also promised to recover the amount from the pensioners after fulfilling the legal formalities.

PAC DIRECTIVE

The Committee settled the para.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES
ACTIONABLE POINTS

Actionable point arising from the discussion of meeting of PAC held on 1st November, 2017 while examining Audit Report for the year 2002-03 pertaining to M/o Energy (Petroleum Division) are given below:

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2002-03

PAKISTAN STATE OIL COMPANY LIMITED

1. PARA-190.2, PAGE-223 (ARPSE-2002-03)
AUDIT COMMENTS

Audit pointed out that trade debts stood at Rs 8,070.767 million as on June 30, 2003 as against Rs 7,846.584 million as on June 30, 2002 included therein were Rs 231.450 million provided for doubtful debts. Effective steps were required to recover the balance amount but the Department failed to do so.

PAO informed that an amount of Rs. 4291 million has been recovered. The detail of remaining amount of Rs. 4011 million was given as under:-

- i) Price differential claim of LSFO/HSFO Rs. 3,407 million.
- ii) Pakistan Army Rs. 604 million.
- iii) M/s Raji and M/s Hajvairy Airlines Rs. 81.6 million.

PAO told that the Company now does not exist and efforts are being made for recovery by the FIA. No property of M/s Hajvairy Airlines is available for attachment. He further added that the matter of recovery of Rs. 81.6 million pertaining to M/s Raji and M/s Hajvairy Airlines was referred to NAB and representative of NAB can explain it better. However, the correspondence is being made with M/o Defence for recovery.

The Representative of NAB apprised the Committee the accountability court has discharged all the accused persons.

PAC DIRECTIVE

The Committee directed the PAO to re-examine the issue in the Board of Directors of PSO, and convey the decision of the Board to Audit / PAC within 30 days.

2. **PARA-192, PAGE-224 (ARPSE-2002-03)**
MISAPPROPRIATION OF DIESEL VALUED AT RS 4.200 MILLION BY
CARTAGE CONTRACTOR

Audit pointed out that M/s Gillani Cartage contractor obtained 26 tank load of oil product valued at Rs 4.200 million from PSO depot Mehmood Kot and mis-appropriated the same instead of delivering the load at the destination during the year 1998. Audit further told that the cartage contractor sub let the transportation work to another transport company without permission of PSO in violation of the contract. The case was registered with FIA crime circle Multan.

PAO informed that an amount of Rs. 2.7 million has been recovered and recovery of the balance amount of Rs. 1.4 million is under process with NAB. Criminal proceeding has been initiated against the responsible.

The Representative of NAB apprised the Committee the out of eight accused persons, four have been acquitted and the matter is still subjudice in the Court of Law.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovery by the Audit, and directed the PAO to recover the balance amount, vigorously.

SUI SOUTHERN GAS COMPANY (SSGC)

3. **PARA-195, (ARPSE-2002-03)**
LOSS OF RS. 10.336 MILLION DUE TO REJECTION OF INSURANCE CLAIM

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

M/O PLANNING, DEVELOPMENT AND REFORMS

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Planning Development and Reforms was examined by the PAC on 14th September, 2017.

- 02 grants were presented by the Audit Department which were examined by the Committee and were settled.

M/O OF PLANNING, DEVELOPMENT AND REFORMS

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o Planning and Development are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. GRANT NO. 100-PLANNING AND DEVELOPMENT DIVISION

AGPR pointed out that the grant closed with a saving of Rs. 1,919,506 which was 1.13 percent of the total grant. An amount of Rs.3,595,920 (2.13%) was surrendered resulting into an excess of Rs.1,676,414 (0.99%).

PAC DIRECTIVE

The Committee settled the above grant.

2. GRANT NO. 142-DEVELOPMENT EXPENDITURE OF PLANNING AND DEVELOPMENT DIVISION

AGPR pointed out that the grant closed with an excess of Rs. 463,097,967 which was 19.89 percent of the total grant. An amount of Rs.29,914,076 (1.28%) was surrendered increasing net excess to Rs.493,012,043 (21.18%).

PAC DIRECTIVE

The Committee recommended the grant for regularization.

M/O PORTS AND SHIPPING

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Ports and Shipping was examined by the PAC on 19th January, 2017.

- 24 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 20 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.
- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O PORTS AND SHIPPING

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 19th January, 2017 while examining Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o Ports and Shipping are given below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-2003

PAKISTAN NATIONAL SHIPPING CORPORATION

1. **PARA-30.1, PAGE-47 (ARPSE-2002-03)**
AUDIT COMMENTS

Audit pointed out that provision for doubtful receivables against freight, hire and service fee receivable-unsecured increased to Rs. 253.239 million during the year under review from Rs. 236.715 million of the previous year. The circumstances under which such provisions had to be made in the Accounts need to be elucidated.

PAO informed that the outstanding amount of RS. 41.195 million reported in DAC held on 06-08-2011 has further reduced to Rs. 18.389 million which will be settled with PARCO up to 28-02-2017. PAO told that the said record was burnt and now the record is being retrieved.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

KORANGI FISHERIES HARBOUR AUTHORITY

2. **PARA-83, PAGE-98 (ARPSE-2002-03)**
AUDIT COMMENTS

Audit pointed out that Korangi Fisheries Harbour Authority was established in 1982 under Korangi Fisheries Harbour Authority Ordinance No.XVI of 1982. The objective of the Authority was planning, construction, operation and maintenance of Korangi Fisheries Harbour near Port Qasim area in Karachi. The Harbour was completed in 1992 with project cost of Rs. 938.139 million including foreign exchange component of Rs. 644.236 million (US \$ 26.121 million). The Harbour was put into trial operation in 1996. Audit told that the Authority could not start its operation upto 2012 so the said para was drafted.

PAC DIRECTIVE

The Committee settled the para.

3. **PARA 84, PAGE-98 (ARPSE-2002-03)**
NON-RECOVERY OF BERTHING CHARGES OF RS 1.412 MILLION

Audit pointed out that in Korangi Fisheries Harbour Authority, commission and berthing charges of Rs 1.670 million were outstanding against two trawlers and one boat since 1999, of which the Authorities succeeded to recover Rs 0.258 million only leaving a balance of Rs 1.412 million as on June 30, 2002.

PAO informed that the Owner of the boat M/s. Oriental Shipping Company (Pvt) Ltd has cleared the dues amounting to Rs.625 and a total amount of Rs. 1,512,356 which includes Rs.94,288 on account of Commission charge; and Rs.1,418,068 for the berthing charges is outstanding against the firm. The matter is subjudice in the High Court. The firm has submitted a Bank Guarantee on the order of Honorable court.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit.

4. i) **PARA 24 ARPSE-2002-03**
NON-RECOVERY OF HIRE CHARGES OF RS. 16.001 MILLION
FROM M/S MEHRAN ENGINEERING WORKS
- ii) **PARA 26.1 ARPSE-2002-03**
AUDIT COMMENT
- iii) **PARA 02 (05) ARPSE-2002-03**
NON SUBMISSION OF ACCOUNTS

PAC DIRECTIVE

The Committee recommended the above three paras for pursuance at DAC level.

5. i. **PARA 02(3) ARPSE-2002-03**
NON-SUBMISSION OF ACCOUNTS
- ii. **PARA 02(4) ARPSE-2002-03**
NON-SUBMISSION OF ACCOUNTS
- iii. **PARA 02(17) ARPSE-2002-03**
NON-SUBMISSION OF ACCOUNTS

- iv. PARA 25 ARPSE-2002-03
INTRODUCTORY PARA
- v. PARA 26 ARPSE-2002-03
AUDIT COMMENT
- vi. PARA 27 ARPSE-2002-03
INTRODUCTORY PARA
- vii. PARA 28 ARPSE-2002-03
AUDIT COMMENT
- viii. PARA 28.1 ARPSE-2002-03
AUDIT COMMENT
- ix. PARA 28.2 ARPSE-2002-03
AUDIT COMMENT
- x. PARA 28.3 ARPSE-2002-03
AUDIT COMMENT
- xi. PARA 29 ARPSE-2002-03
INTRODUCTORY PARA
- xii. PARA 30 ARPSE-2002-03
AUDIT COMMENT
- xiii. PARA 30.2 ARPSE-2002-03
AUDIT COMMENT
- xiv. PARA 30.3 ARPSE-2002-03
AUDIT COMMENT
- xv. PARA 31 ARPSE-2002-03
WASTEFUL EXPENDITURE OF RS 8.083 MILLION INCURRED ON
THE PROPOSED PRIVATIZATION OF PNSC
- xvi. PARA 32 ARPSE-2002-03
NON RECOVERY OF RS 12.568 MILLION FROM VARIOUS
AGENTS
- xvii. PARA 33 ARPSE-2002-03
NON RECOVERY OF DEMURRAGES OF RS 43.06 MILLION FROM
VARIOUS PARTIES

PAC DIRECTIVE

The Committee settled the above seventeen paras.

6. **PARA 84 ARPSE-2002-03**
NON-RECOVERY OF BERTHING CHARGES OF RS. 1.412 MILLION

PAC DIRECTIVE

The Committee pended the para and directed the PAO to pursue the case in Court of Law vigorously.

PRESIDENT'S SECRETARIAT

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the President's Secretariat was examined by the PAC on 28th February, 2018.

- 01 grant was presented by the Audit Department which were examined by the Committee. This 01 grant was settled.

PRESIDENT'S SECRETARIAT

ACTIONABLE POINTS

Actionable Point arising from the discussion of meeting of PAC held on 28th February, 2018 while examining Appropriation Accounts for the year 2002-03 pertaining to President's Secretariat is given below:-

PRESIDENT'S SECRETARIAT

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. STAFF, HOUSE HOLD AND ALLOWANCES OF THE PRESIDENT (CHARGED)

The AGPR pointed out that the grant closed with a saving of Rs. 7,442,876 which worked out to 3.97 percent of the total grant. An amount of Rs. 6,997,831 (3.73%) was surrendered leaving net saving of Rs. 465,045 (0.24%).

PAC DIRECTIVE

The Committee settled the grant.

PRIME MINISTER'S INSPECTION COMMISSION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Prime Minister's Inspection Commission was examined by the PAC on 14th September, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee and was settled.

PRIME MINISTER'S INSPECTION COMMISSION

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Prime Minister's Inspection Commission are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. GRANT NO. 12-CHIEF EXECUTIVE'S INSPECTION COMMISSION

AGPR pointed out that there was saving of Rs. 23,411,000 but the entire budget provision was surrendered in time.

PAC DIRECTIVE

The Committee settled the above grant.

PRIME MINISTER'S OFFICE

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Prime Minister`s office was examined by the PAC on 14th September, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee and was settled.

PRIME MINISTER'S SECRETARIAT

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Prime Minister's Secretariat are given below: -

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. GRANT NO. 09-CHIEF EXECUTIVE'S OFFICE

AGPR pointed out that the grant closed with a saving of Rs. 63,639,973 which was 26.08 percent of the total grant. An amount of Rs.63,142,000 (25.87%) was surrendered leaving net saving of Rs.497,973 (0.20%).

PAC DIRECTIVE

The Committee settled the above grant.

M/O PRIVATIZATION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Privatization was examined by the PAC on 20th July, 2016 & 14th September, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee. This 01 grant was settled.
- The Committee also took briefing on the Privatization process and gave suitable directive.

M/O PRIVATIZATION

ACTIONABLE POINTS

A meeting of the Public Accounts Committee (PAC) was held on 20th July, 2016 in Committee Room No. 02, Parliament House, Islamabad. The agenda of the meeting was briefing regarding the Privatization Program by the Privatization Commission:-

The following Members attended the meeting:

1. Syed Naveed Qamar, MNA
2. Mian Abdul Manan, MNA
3. Sahibzada Muhammad Nazeer Sultan, MNA
4. Mr. Muhammad Junaid Anwar Ch ,MNA
5. Dr. Darshan, MNA

Principle Accounts Officer briefed the Committee about the Privatization Program by the Privatization Commission. He informed that successive Governments have been actively pursuing the privatization of state-owned industrial units. To-date, 106 industrial units have been privatized, with total sale proceeds of approximately Rs. 60.93 billion. He told that the Cabinet Committee on Privatization (CCoP), in its meeting held on October 03, 2013, approved the Privatization Program of the Present Government. The following units related to the M/o Industries & Production are included in the CCoP approved Privatization Program:

- National Fertilizers Corporation (NFC) and its units and subsidiaries
- State Engineering Corporation (SEC) and its units and subsidiaries
- Pakistan Engineering Company (PECO)
- Pakistan Machine Tool Factory (PMTF)
- Sindh Engineering Limited (SEL)
- Heavy Electrical Complex (HEC)
- Pakistan Steel Mills (PSM) and its units
- Pakistan Steel Fabricating Company Ltd
- Morafco Industries (Machinery on as in where is basis)
- Republic Motors Limited
- Pakistan Industrial Development Corporation Limited (PIDC)
- Utility Store Corporation and stores
- Pakistan Industrial and Technical Training Centre

He also provided information that the Cabinet decided to privatize 100% shares of Pakistan Steel Mills Corporation and Heavy Electric Complex (HEC). The 25% shares of Pakistan Engineering Company Limited (PECO). The Privatization of Pakistan Steel Mills and its units, Heavy Electrical Complex (HEC) is under process, however, the Privatization of other units Pakistan Machine Tool Factory (PMTF), Sindh Engineering Limited (SEL), State Engineering Corporation (SEC)

and its units and subsidiaries, National Fertilizers Corporation (NFC) and its units and subsidiaries has not been still initiated.

The Committee was apprised about the details of following unit:

PAKISTAN STEEL MILLS (PSM)

The PAO informed that Financial Advisor for privatization of PSM was appointed in April 2015. Due attention by the FA was completed in August 2015. However, on October 02, 2015, the CCOP decided that as the Government of Sindh (GoS) had expressed interest in acquiring PSM, they should be offered to acquire PSM with all its assets and liabilities. The Government of Sindh, after a long correspondence replied that provincial Government cannot make a decision till the following actions are taken by GOP, to facilitate GoS in making the final decision:

- Share PC's Financial Advisor's technical and financial due diligence reports
- Restore gas supply to PSM immediately to avoid permanent damage to PSM
- Share an appropriate 'Incentive Package' for the revival of PSM

And the response of Privatization Commission was as under:

- In case Government of Sindh considers setting up an industrial zone on PSM's non-core land, post-acquisition, the Federal Government may consider providing incentive packages similar to those provided to other industrial zones
- Once Government of Sindh takes over PSM and clears its current liability towards Sui Southern Gas Company Limited (SSGCL), the gas supply shall be immediately restored
- Requesting that the FINAL OFFER of GoS on acquisition of PSM, based on the offer of the Federal Government, i.e. on an "as is where is", may kindly be conveyed within 2-3 weeks.

The matter of PSM's privatization could not be finalized and is still pending.

PRIVATIZATION STATUS OF HEAVY ELECTRICAL COMPLEX (HEC)

The Committee was briefed that HEC has been a part of the privatization program during successive regimes. The CCI, vide its decision dated May 29, 1997, has approved the privatization of HEC. The CCoP in its meeting held on October 03, 2013, approved the privatization of HEC. Subsequently, pursuant to the approval of PC Board dated December 09, 2014, the privatization process of HEC was initiated. However, the transaction could not be concluded as the sole bidder failed to deposit the balance sale consideration. In March 2016, PC Board annulled the process and authorized PC Management to re-initiate its privatization. Accordingly, the Expression of Interest (EOI) for hiring the services

of a Financial Advisor (FA) was published in the national press media on May 09, 2016 with the deadline for submission of the same as June 24, 2016. Two Interested Parties have expressed interest. The process of evaluation for hiring of FA is currently under process.

PAKISTAN ENGINEERING COMPANY (PECO)

Similarly briefing about PECO he stated that PECO was formerly known as Batala Engineering Company (BECO), was incorporated as Public Limited Company in Pakistan on 15th February 1950 under the Companies Act, 1913. PECO was taken over (Nationalized) by the Government under Economic Reform Order, 1972. Under the Rehabilitation Plan approved by the Federal Cabinet in 1994, the Company's Badami Bagh Works was closed down and its entire machinery and structures were shifted to Kot Lakhpat Works. The Badami Bagh Works vacant land was handed over to PC for sale. CCOP in its meeting held on November 06, 2001 decided for gradual winding up of the company and offered GHS/VSS to the employees. Consequently, except Managing Director, all the regular employees were laid off under GHS/VSS. PECO is listed on all stock exchanges of the country. The GoP shareholding in the company as of 30th June 2003 was 54.49%. During FY 2004-05, National Investment Trust (NIT) sold 1,179,530 shares of the company, without consulting PC, Ministry of Finance or SEC/PECO. This was against the GoP instructions to not to trade in entities wherein as a consequence of trading the GoP shareholding would fall below 51%. The shareholding of SEC and other Governmental Institutions in PECO is now 1,891,175 shares which constitutes 33.24% of the total shareholdings. Private shareholding on the other hand has been increased to 3,799,070 shares which constitutes 66.76% of total shareholding. Consequently, in proportion to the increase of private shareholding, the number of private elected directors has been increased from three (3) to six (6) and the number of Government nominated directors has been decreased to three (3). However, the management of the company is still under the control of the Government.

Presently, NAB Sindh is handling the issue of unauthorized sale of PECO shares. PC is pursuing the matter with NAB for an early solution.

MORAFCO INDUSTRIES LIMITED (MIL)

The PAO presented to the Committee that Morafco Industries Limited (MIL) is a closed unit of Ghee Corporation of Pakistan (GCP) and currently is under the control of Pakistan Industrial Development Corporation. MIL was incorporated as a Private Limited Company in 1960 and was converted to a Public Limited Company in 1965. The Company closed its operations in 1997. All the regular employees were released through VSS/GHS. However, few employees (7) are still engaged on temporary basis for security, upkeep and to assist in compilation of books and other records. The assets of MIL include a redundant plant and 101 Kanals & 17 Marlas of land in Faisalabad. The Revenue Record reflects that the

land is owned by the Government of Punjab. Six attempts (including one by MoI&P) to privatise / dispose-off the Unit have been attempted in the past but could not materialize, primarily due to the issue of title of land which is in the name of Provincial Government. PC, in October 2013, has been mandated by the CCoP for the sale of MIL's Machinery on 'as is where is basis'. Its book value is less than Rs. 1 million and its liabilities are 845 million.

SURAJ GHEE INDUSTRIES LIMITED (SGIL)

The PAO briefed to the Committee that on December 28, 1992, PC sold 51% shares of Suraj Ghee Mills to M/s Trade Lines (the 'Buyer') at a price of Rs. 41.578 million which was later reduced to Rs. 11.564 million due to audit adjustment. Rs. 10.810 million were paid by the Buyer at the time of signing the Sale Agreement on December 28, 1992. The management control was to be transferred to the Buyer on January 05, 1993, subject to the following:

- Payment of Rs. 10.810 Million the receipt whereof was acknowledged in Clause (2) of the Sale Agreement
- Submission of Bank Guarantee for the Balance Sale Consideration in three equal installments @ 14% p.a.

PAO informed that the Buyer committed a number of irregularities including sale of hypothecated stock, utilization of employees' legal deposits and default in payment of wages and other legal dues to workers and also failed to meet its contractual obligations.

PAO told that as the buyer was on fault therefore privatization commission decided to repossess the unit in line with clause 6 of the Sale Agreement. Due to the huge liabilities of the Unit, the matter was referred to CCoP on the request of GCP. On October 04, 1993, CCoP took the decision to liquidate the unit and consequently GCP, being major creditor, filed the liquidation petition before the Lahore High Court, Lahore, being C.O. No. 121/1994. To counter the liquidation proceedings, the Buyer instituted a Suit for Declaration, Permanent Injunction and damages amounting to Rs. 297.8 Million in the Lahore High Court, Lahore, against the Government of Pakistan and GCP being C.S. No. 261/1994. On September 23, 2005, Lahore High Court, Lahore, decided that before proceeding further in the liquidation proceedings filed by the GoP, the dispute between the Buyer and GoP be referred to an Arbitrator and, accordingly, appointed Mr. Justice (Retd.) Mian Mehboob Ahmed. On June 26, 2006, after conducting detailed proceedings in the matter, the Arbitrator gave an award of Rs. 33.204 million along with markup @ 14% per annum from May 03, 1993, in favor of the Buyer. PC filed objections to the award. However, the said objections were dismissed by the Lahore High Court, Lahore, The matter is still pending in Lahore High Court, Lahore. PC is rigorously pursuing the same.

Additional Secretary M/o Industries and Production proposed that after the start of CPEC, the program of privatization should be reconsidered and the profit making units should be withdrawn from the list of privatization.

It was also brought to the notice of committee that all the dead units are being supported from the loan provided by Pakistan Industrial Development Corporation. The Committee was also apprised that the defaulters depicted in the process of privatization have been blacklisted for future.

PAC DIRECTIVE

The Committee during the course of briefing gave the following directions:

1. The Committee directed the PAO to take the all stake holders on board and finalize the process of privatization as per Policy of Government of Pakistan instead of making the process complicated and unsolvable.
2. The Committee directed the NAB to submit the update position of investigation about the sale of shares of Pakistan Engineering Company (PECO) within two months.
3. The Committee directed the PAO to pursue the cases in court vigorously and wherever it is possible, the efforts should be made to settle the cases out of court.

M/O PRIVATIZATION

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o Privatization are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. GRANT NO. 102-PRIVATIZATION DIVISION

AGPR pointed out that the grant closed with a saving of Rs. 167,142,723,898 which was 99.98 percent of the total grant. An amount of Rs.167,142,722,898 (99.98%) was surrendered leaving net saving of Rs.1,000.

PAC DIRECTIVE

The Committee settled the above grant.

M/O RAILWAYS

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Railways was examined by the PAC on 26th October, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee and was settled.

M/O RAILWAYS

ACTIONABLE POINTS

Actionable Point arising from the discussion of meeting of PAC held on 26th October, 2017 while examining Appropriation Accounts for the year 2002-03 pertaining to M/o Railways is given below: -

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. **GRANT NO 151-CAPITAL OUTLAY ON PAKISTAN RAILWAYS**

The AGPR pointed out that the grant closed without any saving/excess.

PAC DIRECTIVE

The Committee settled the grant.

M/O RELIGIOUS AFFAIRS AND INTER-FAITH HARMONY

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Religious Affairs and Inter-Faith Harmony was examined by the PAC on 28th February, 2018.

- 02 grant and 18 paras was presented by the Audit Department which was examined by the Committee and was settled.

RELIGIOUS AFFAIRS AND INTER-FAITH HARMONY

ACTIONABLE POINTS

Actionable Point arising from the discussion of meeting of PAC held on 28th February, 2018 while examining Appropriation Accounts/Audit Report/Special Audit Report for the year 2002-03 pertaining M/o Religious Affairs and Inter-Faith Harmony are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. GRANT NO. 103 – RELIGIOUS AFFAIRS AND ZAKAT & USHR DIVISION

The AGPR pointed out that the grant closed with a saving of Rs. 7,138,031 which worked out to 14.87 percent of the total grant. An amount of Rs. 7,025,000 (14.63%) was surrendered leaving net saving of Rs. 113,031 (0.24%).

PAC DIRECTIVE

The Committee settled the above two grants.

2. GRANT NO. 105 – OTHER EXPENDITURE OF RELIGIOUS AFFAIRS, ZAKAT & USHR

The AGPR pointed out that the grant closed with a saving of Rs. 26,057,394 which works out to 19.94 percent of the total grant. An amount of Rs. 17,780,900 (13.61%) was surrendered leaving net saving of Rs. 8,276,494 (6.33%).

The PAO informed that the post of Director, Deputy Director and Dresser remained vacant due to which saving occurred.

PAC DIRECTIVE

The Committee settled the grant with the direction creation of post without proper planning should be avoided.

AUDIT REPORT FOR THE YEAR 2002-03

3. i. AUDIT PARA-2.1 PAGE 41 AR (2002-03) **LOSS OF SR 9.81 MILLION AS HUIJAJ WERE ACCOMMODATED IN** **THE BUILDING AT MAKKAH OVER AND ABOVE THE TASREEH.**

Audit pointed out that the Kingdom of Saudi Arabia and Government of Pakistan have fixed 3 square meter space per Hajj. No deviation from this condition is permissible and no building can be rented out without approval of Saudi authorities in the form of Tasreeh (a document certifying

the capacity of Hujjaj who could stay in a particular building). The basis of hiring is thus Tasreeh and not the Tamteer carried out by the Mission (Hajj Directorate). The accommodation of Hujjajin excess of Tasreeh is in violation of Saudi laws. The Audit team told that the contracts of 170 buildings out of 391 buildings hired for Hajj 2001 and observed that in 59 cases of hired buildings, the capacity as per Tasreeh was 31,544 but the agreements were concluded for 35,865 Hujjaj i.e. 4321 Hujjaj over and above the Tasreeh in violation of Saudi law and Government of Pakistan's Hajj policy. Excess accommodation of 4321 Hujjaj over the capacity resulted into overpayment of S.R. 6.76 million besides causing inconvenience to the Hujjaj.

Besides this the loss of SR 171,200 was calculated violating the rules of Tasreeh.

PAO could not satisfied the Committee on over and above adjustment of Hajjis and Payment to building owners.

ii. **AUDIT PARA-2.2 PAGE 42 AR (2002-03)**
LOSS OF SR 2.109 MILLION DUE TO HIRED BUT VACANT
ACCOMMODATION AT MAKKAH DURING HAJJ 2001 AND 2002

PAC DIRECTIVE:

The committee clubbed the above two paras and referred back to DAC for re-examination.

4. **AUDIT PARA-2.5 PAGE 47 AR(2002-03)**
NON-RECOVERY OF OUTSTANDING AMOUNT OF SR 155,354

Audit pointed out that:-

- (i) a sum of SR. 155,000 on account of rental charges were outstanding against Government Servants/different visitors/pilgrims since Hajj 1995 which had resulted into loss to the state.
- (ii) a sum of SR. 354 was short against the Caretaker out of cash in hand from prior to 7/93 and had not yet been recovered.

PAO informed that the recoverable amount is still pending.

PAC DIRECTIVE:

The committee referred back the para to DAC for re-examination.

PARAS RECOMMENDED FOR SETTLEMENT BY THE DAC

5.
 - i. **AUDIT PARA-2.3 PAGE 44 AR(2002-03)**
OVERPAYMENT OF SR 503,800 AND INADMISSIBLE PAYMENT OF SR 321,400 ON ACCOUNT OF HIRING OF BUILDING FOR HAJJAJ-2001 AT MEDINA
 - ii. **AUDIT PARA-2.4 PAGE 46 AR(2002-03)**
NON-RECOVERY OF RENT FOR THE SPACE/CAPACITY UTILIZED BY THE MAKTAB,BANK EMPLOYEES AND HAJJ DELEGATION. LOSS OF SR 605,548
 - iii. **AUDIT PARA-2.6 PAGE 48 AR(2002-03)**
OVERPAYMENT OF SR 104,437 ON ACCOUNT OF SHIFTING OF HAJJAJ FROM ONE TO ANOTHER BUILDING, HAJJ 2001 AND 2002.
 - iv. **AUDIT PARA-2.7 PAGE 50 AR(2002-03)**
NON-RECOVERY OF SR 35,716
 - v. **AUDIT PARA-2.8 PAGE 54 AR(2002-03)**
AMOUNT COLLECT AT PARK HOUSES NO.1 AND 2 MEDINA MUNNAWRAH BUT NOT CREDITED TO “INCOME OF PAKISTAN HOUSE” ACCOUNT SR 14,971.
 - vi. **AUDIT PARA-2.9 PAGE 56 AR(2002-03)**
LOSS OF SR 14,292(RS.230,574) ON ACCOUNT OF VACANT RESIDENCE.

PAC DIRECTIVE:

The committee settled the above 6 paras on the recommendation of DAC.

ZAKAT AND USHR

6. **AUDIT PARA 1, PAGE NO. 5(AR 2002-03)**
UNJUSTIFIED TRANSFER OF ZAKAT FUND TO HOSPITAL ACCOUNT-RS 50.809 MILLION IN EXCESS OF ACTUAL MEDICINES PURCHASED

Audit pointed out that the sum of Rs 96,968,623 was charged to Zakat fund as calculated @ Rs 750 per indoor patient, Rs 200 per outdoor patient and Rs 100 per follow up visit and transferred to hospital account. However, actual cost of medicines issued to mustahiq patients was Rs 46,159,177. Thus, Excess amount of Rs 50,809,446 was charged to Zakat fund un-authorized and transferred to hospital account.

PAO informed that the Zakat fund in all institution/hospitals is being used properly. Trust used to pay all these expenses from the normal account after utilization of normal funds, grants were transferred from Zakat fund to normal account with the approval of the Health Welfare Committee.

PAC DIRECTIVE:

The Committee settled the Para.

**7. AUDIT PARA 2, PAGE NO.6 (AR 2002-03)
IRREGULAR EXPENDITURE OF –RS 21,184 MILLION OUT OF ZAKAT FUND
ON ACCOUNT OF HOSPITAL CHARGES**

Audit pointed out that the Health Welfare Committees (HWCs) of three Hospitals charged a sum of Rs 20,430,186 to Zakat fund on account of bed charges, hospital charges, departmental charges and CT scan charges. The action of the management was held irregular as services available in three hospital were required to be provided free of charge to mustahiq patients.

Audit told that Al shifa eye trust Rawalpindi ,Kidney center Karachi and Fauji Foundation Rawalpindi were asked to provide record and the PAO was requested to recover the amount of Rs.20.430 million from the hospitals.

PAO informed that the amount has been recovered from 2 hospitals and the recovery will be made soon from Al Shifa eye trust.

PAC DIRECTIVE:

The Committee settled the Para subject to the verification of record of recovery by the Audit.

**8. AUDIT PARA 9 PAGE NO.13 (AR 2002-03)
NON-SURRENDER OF UNSPENT BALANCES AMOUNTING-RS 5.974
MILLION**

Audit pointed out that the two health Welfare Committees did not surrender unspent balance amounting to Rs 5,973,851 lying with them on 30th June, 2002. The amount was not refunded to the Central Zakat Fund (CZF).

PAO informed that the 2 hospitals, Lahore General Hospital and Gulab Devi Hospital are under provincial Government Punjab. The Ministry is requesting the Punjab Government for refunding of the amount.

PAC DIRECTIVE:

The Committee directed the PAO to recover the amount and report to PAC.

9. i. AUDIT PARA 3 (AR 2002-03)
IRREGULAR PURCHASE OF MEDICINES WORTH RS. 19.576
MILLION WITHOUT OPEN TENDERING
- ii. AUDIT PARA 4 (AR 2002-03)
UNAUTHORIZED PAYMENT OF RS. 13.487 MILLION WITHOUT
DETERMINATION OF ISTEHQAQ OF PATIENTS BY THE LZCS
- iii. AUDIT PARA 6(AR 2002-03)
PAYMENT IN CASH INSTEAD OF CROSSED CHEQUESRS. 0.071
MILLION
- iv. AUDIT PARA 8 (AR 2002-03)
IRREGULAR PAYMENT OF ADVERTISEMENT CHARGES OUT OF
ZAKAT FUND RS. 0.021 MILLION

PAC DIRECTIVE

The Committee referred back the above four paras for reconsideration at DAC level.

10. i. AUDIT PARA 5 (AR 2002-03)
NON-ACCOUNTAL OF TRANSACTIONS RS. 2.000 MILLION
- ii. AUDIT PARA 7 (AR 2002-03)
IRREGULAR DEDUCTION OF BANK CHARGES RS. 0.031 MILLION

PAC DIRECTIVE

The Committee settled the above two paras on the recommendation of DAC.

GENERAL DIRECTIVE

The request of the Audit to examine some of the pending paras of FBR and some other ministries was turned down by the Committee and it was decided to place them before the Sub-Committee on Monitoring and Implementation.

REVENUE DIVISION (FBR)

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Revenue Division was examined by the PAC on 26th July, 2011, 28th April, 2016, 19th January, 2017 and 25th & 26th October, 2017.

- 06 grants and 205 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 06 grants and 79 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 26th July, 2011, has also been made part of the report.

FEDERAL BOARD OF REVENUE

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports / Special Audit Reports for the years 2002-03 & 2003-04 pertaining to the Federal Board of Revenue were taken up for examination by PAC in the meetings held on 26th July, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

The Committee was informed by Audit that DAC meetings pertaining to Audit Paras of FBR had been held but not represented by the department at appropriate level which is the Chairman and consequently the status of all paras discussed in the DAC held in 2004 remains the same.

The Committee expressed its displeasure for not holding DAC meeting which could have been convened even one week before the present scheduled meeting of PAC-II. The Committee further observed that all other Ministries have managed to hold DAC meetings even at a short notice of one week prior to appearing before the PAC and it was really disappointing and a sad state of affairs that an important organization such as FBR should come up with the excuse that DAC has not been held hence some Paras should be deferred. The Committee directed the Senior Member FBR to convey displeasure of the Committee to the Chairman FBR.

The Senior Member FBR extended his apologies for not convening a DAC meeting prior to the meeting of the Special Committee-II.

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. i. **GRANT NO. 43-REVENUE DIVISION**
SAVING OF RS. 337, 013

AGPR pointed out that the grant closed with a saving of Rs. 337, 013 which works out to 0.74% of the total grant. An amount of Rs. 900,221 (1.98%) was surrendered leaving net excess of Rs. 563, 208 (1.24%).

The PAO informed the Committee that the excess booking of expenditure of Rs. 739, 223.

ii. **GRANT NO. 44- CENTRAL BOARD OF REVENUE**
SAVING OF RS. 15,020,563

AGPR pointed out that the grant closed with a saving of Rs. 15,020,563 which works out to 5.17% of the total grant. An amount of Rs. 14,562,367 (5.01%) was surrendered leaving net saving to Rs. 458,196 (0.16%).

The PAO informed the Committee that the some posts of officers remained vacant due to transfer and posting. Moreover, saving pertains to six units of CBR which is minor.

iii. **GRANT NO. 48-TAXES ON INCOME AND CORPORATION TAX**
SAVING OF RS. 85, 415,356

AGPR pointed out that the grant closed with a saving of Rs. 85, 415,356 which works out to 6.47% of the total grant. An amount of Rs. 47,923,534 (3.63%) was surrender leaving net saving of Rs. 37,491,822 (2.84%) A supplementary grant of Rs. 2,288,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that the PAC may consider the saving in the light of explanation provided by the department.

PAC DIRECTIVE

The Committee observed that where vacant posts exist it is possible to anticipate and surrender in time in order to avoid excess. The Committee recommended regularization of the above three grants.

2. i. **GRANT NO. 45-SEA CUSTOMS**
SAVING OF RS. 7, 193,701

AGPR pointed out that the grant closed with a saving of Rs. 7, 193,701 which works out to 1.63% of the total grant. An amount of Rs. 10,000,000 (2.26%) was surrender leaving net excess of Rs. 2,806,299 (0.63%). A supplementary grant of Rs. 15,713,000 was sanctioned but not included in supplementary schedule of authorized expenditure. After taking it into account, the excess shall be converted into saving of Rs. 2, 906, 701 (0.65%).

The PAO informed the Committee that the non accountal of surrender order of Rs. 154,657.

ii. **GRANT NO. 46-LAND CUSTOMS AND CENTRAL EXCISE**
SAVING OF RS. 361,529

AGPR pointed out that the grant closed with a saving of Rs. 361,529 which works out to 0.05% of the total grant. A supplementary grant of Rs. 10,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that the PAC may consider the saving in the light of explanation provided by the department.

iii. **GRANT NO. 47-SALES TAXES**
SAVING OF RS. 8, 984,114

AGPR pointed out that grant closed with a saving of Rs. 8, 984,114 which works out to 2.23% of the total grant. An amount of Rs. 2,869,464 (0.71%) was surrendered leaving net saving of Rs. 6,114,650 (1.52%) A supplementary grant of Rs. 2,288,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that the non accountal of surrender order of Rs. 5,712,823.

PAC DIRECTIVE

The Committee repeated it's earlier observation that there should be a system in place to ensure that only those supplementary grants are obtained which are absolutely necessary and saving should not accrue and if so, it should be surrendered in time. The Committee recommended regularization of grant.

AUDIT REPORTS REVENUE RECEIPTS
(Indirect Taxes & Expenditure Audit)

AUDIT REPORTS REVENUE RECEIPTS
(Direct Taxes)

On presentation of Audit Reports on Direct Taxes and (Indirect Taxes & Expenditure Audit) for the years 1998-99, 2002-03 & 2003-04 to the Committee Audit reported that in 64% case no reply had been received from the FBR and the amount Admitted but not recovered was more that Rs.4.2 billion so these reports may be remanded to the DAC for re-consideration.

PAC DIRECTIVE

“The Committee observed the situation as highly unsatisfactory and desired that the Chairman should have been here to note all these figures. The Committee directed Senior Member FBR to hold meaningful DAC meeting at an appropriate level and report back on these three Reports to the Committee within one month”.



REVENUE DIVISION

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 28th, April 2016 while examining Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Revenue Division are given below:-

AUDIT REPORT FOR THE YEAR 2002-03

(DIRECT TAXES)

1. **PARA NO 1.4 PAGE NO 6**
NON ASSESSMENT OF INCOME FROM OTHER SOURCES- RS 161.901
MILLION

Audit pointed out that during test audit it was noticed that in negation to the provisions of law, income earned from other sources was not taxed in the case of 15 taxpayer. This deprived the government of revenue of Rs.161.901 million.

The PAO informed that 77% amount has been recovered and balance amount will also berecovered, subject to decision of courts.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery and decision of court cases.

2. **PARA NO 1.6 PAGE NO 13**
NON ASSESSMENT OF DEEMED INCOME – 79.036 MILLION

Audit pointed out that 19 cases where taxpayers had concealed their income to evade tax. This warranted assessment of such income, as well as imposition of penalty under section 111 of the Income Tax Ordinance, 1979 but needful was done by the assessing officers which deprived the government of revenue of Rs.79.036 million.

PAO admitted the recovery and assured the Committee that the amount will be recovered up to 30th June, 2016.

PAC DIRECTIVE

The Committee pended the para till full recovery upto 30th June, 2016.

3. **PARA NO 1.8 PAGE NO 14**
SHORT-LEVY OF TAX DUE TO NON-ALLOCATION OF PROPORTIONATE
EXPENSES – RS. 44.719 MILLION

Audit pointed out that during test audit it was noticed that in 05 cases, the assessments were not made in accordance with the instruction contained in the CBR circular No. 12 of 1991 circular. This resulted in short levy of tax of Rs.44.719 million.

PAO informed that 40% of the amount has been recovered, whereas, the rest of the amount needs reconciliation with Audit.

PAC DIRECTIVE

The Committee referred the Para to DAC.

4. **PARA NO 1.13 PAGE NO 18**
ASSESSMENT UNDER SECTION 80-C INSTEAD OF SECTION 62 OF THE
INCOME TAX ORDINANCE 1979- RS. 2.809 MILLION

Audit pointed out that during test check it was noticed that in one case, income derived from supplies was assessed by the department under section 62 instead of treating the deduction of withholding tax as final discharge of tax liability under section 80C of the Income Tax Ordinance, 1979. This violation of statutory provision led to loss of revenue loss of Rs.2.809 million.

PAO informed that the Supreme Court has overturned that decision and requested to settle the para.

PAC DIRECTIVE

The Committee referred the Para to be examined at DAC level as per decision of the Supreme Court.

5. **PARA NO 2.1 PAGE NO 35**
SHORT LEVY OF TAX DUE TO ALLOWANCE OF INADMISSIBLE
EXPENSES- RS. 1,717.331 MILLION

Audit pointed out that 26 cases where expenses not admissible under section 23 of the Income Tax Ordinance,1979 and also specifically disallowed under section 24 ibid were allowed by the assessing officers. This resulted in short levy of tax amounting to Rs. 1,717.331 million.

The PAO informed that the decision of declaring bad debt was taken by the State Bank of Pakistan by issuing a certificate in this regard.

PAC DIRECTIVE

The Committee pended the Para and directed that State Bank of Pakistan may be called in the next meeting.

6. PARA NO 3.2 PAGE NO 39 NON INVOKING THE PROVISIONS OF SECTION 52- RS.218.997 MILLION

Audit pointed out that during test check it was noticed that in 21 cases the legal action was not taken by the assessing officers. This deprived the government of revenue amounting to Rs.218.997 million.

The PAO informed that 80% of the total amount has been regularized and the rest of the amount will either be regularized or recovered.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to recover the remaining amount.

7. i. **PARA 1.1 PAGE 09
WRONG AMENDMENT OF ASSESSMENT ORDERS UNDER
SECTION 156 – RS. 2,480.873 MILLION.**
- ii. **PARA NO 1.2 PAGE NO 10
SHORT LEVY OF TAX DUE TO WRONG COMPUTATION OF INCOME
– RS.1,505.454 MILLION**
- iii. **PARA NO 1.5 PAGE NO 12
SHORT LEVY OF TAX DUE TO SETTING OFF INCOME FROM OTHER
HEADS AGAINST CARRY FORWARD OF BUSINESS LOSSES - RS.
150.758 MILLION**
- iv. **PARA NO 1.7 PAGE NO 14
SHORT LEVY OF MINIMUM TAX UNDER 80D – RS. 71.219 MILLION**
- v. **PARA NO 1.12 PAGE NO 18
SHORT LEVY OF TAX -RS. 4.078 MILLION**
- vi. **PARA NO 1.14 PAGE NO 19
WRONG REDUCTION OF TAX LIABILITY- RS. 1.306 MILLION**
- vii. **PARA NO 1.15 PAGE NO 19
EXCESS DETERMINATION OF REFUND – RS. 0.830 MILLION**

- viii. PARA NO 3.4 PAGE NO 40
SHORT-LEVY OF TAX ON CONTRACTS, SUPPLIES AND
COMMERCIAL IMPORTS (SECTION 80-C) - RS. 15.300 MILLION
- ix. PARA NO 3.5 PAGE NO 41
NON-LEVY OF TAX UNDER SECTION 80CC-RS. 4.334 MILLION
- x. PARA NO 4.2 PAGE NO 47
SHORT-LEVY OF TAX DUE TO GRANT OF INADMISSIBLE
DEPRECIATION ALLOWANCE-RS. 781.343 MILLION
- xi. PARA NO 5.1 PAGE NO 51
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ADVANCE
TAX U/S 87-RS. 117.477 MILLION
- xii. PARA NO 5.2 PAGE NO 51
NON-LEVY OF ADDITIONAL TAX FOR NON-PAYMENT OF TAX
LIABILITY WITH RETURN (SECTION 88) RS. 36.087 MILLION
- xiii. PARA 5.3 PAGE NO 52
NON-LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF
ASSESSED TAX OR PENALTY (SECTION 89) RS. 33.550 MILLION
- xiv. PARA NO 6.1 PAGE NO 63
SHORT-LEVY OF TAX DUE TO MISAPPLICATION OF RATES-RS.
38.661 MILLION
- xv. PARA NO 6.2 PAGE NO 63
NON-LEVY OF SURCHARGE-RS. 22.094 MILLION
- xvi. PARA NO 7.1 PAGE NO 73
NON IMPOSITION OF PENALTY IN CONCEALMENT CASES- RS.
18.157 MILLION
- xvii. PARA NO 7.2 PAGE NO 73
NON-IMPOSITION OF PENALTY FOR FAILURE TO FURNISH A
RETURN U/S 108-RS. 12.626 MILLION
- xviii. PARA NO 8.1 PAGE NO 81
NON-FILING OF WEALTH TAX RETURNS- RS. 11.585 MILLION
- xix. PARA NO 8.2 PAGE NO 81
NON-IMPOSITION OF PENALTY UNDER SECTION 18-RS. 10.141
MILLION

- xx. PARA NO 8.3 PAGE NO 82
UNDER-VALUATION OF SHARES- RS. 2.535 MILLION
- xxi. PARA NO 8.4 PAGE NO 83
NON-LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 31B(I)-
RS. 1.924 MILLION
- xxii. PARA NO 8.5 PAGE NO 84
UNDER-VALUATION OF PROPERTY- RS.1.672 MILLION
- xxiii. PARA NO 8.6 PAGE NO 84
WRONG ALLOWANCE OF EXEMPTIONS-RS. 0.928 MILLION
- xxiv. PARA NO 8.7 PAGE NO 85
NON-LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 31BBB-
RS. 0.769 MILLION
- xxv. PARA NO 8.8 PAGE NO 85
WRONG DETERMINATION OF ALV- RS. 0.621 MILLION
- xxvi. PARA NO 8.9 PAGE NO 86
NON- LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 31B (II)-
RS. 0.494 MILLION
- xxvii. PARA NO 8.10 PAGE NO 87
WRONG COMPUTATION OF WEALTH TAX-RS. 0.448 MILLION
- xxviii. PARA NO 8.11 PAGE NO 87
NON-LEVY OF WEALTH TAX UNDER SECTION 14-C-RS. 0.445
MILLION.
- xxix. PARA NO 8.12 PAGE NO 88
SHORT COMPUTATION OF NET WEALTH - RS. 0.400 MILLION
- xxx. PARA NO 8.13 PAGE NO 88
NON-LEVY OF SURCHARGE ON WEALTH TAX-RS. 0.075 MILLION
- xxxi. PARA NO 9.1 PAGE NO 109
NON REALIZATION OF WORKERS WELFARE FUND- RS. 22.744
MILLION

PAC DIRECTIVE

The committee referred the above 31 Paras for pursuance at DAC level.

8. i. PARA 1.3PAGE 10
CREDITS OF TAX DEDUCTED AT SOURCE UNDER SECTION 50 AND
PAYMENT OF ADVANCE TAX UNDER SECTION 53 ALLOWED IN
EXCESS - RS. 388.629 MILLION
- ii. PARA 1.9PAGE 16
NON TAXATION OF INCOME UNDER SECTION 22(C) - RS.35.990
MILLION
- iii. PARA 1.10PAGE 16
NON ASSESSMENT OF BONUS SHARE AS DEEMED INCOME-RS.
20.109 MILLION
- iv. PARA 1.11PAGE 17
SHORT-LEVY OF TAX DUE TO WRONG DETERMINATION OF
EXEMPTION PERIOD-RS. 14.095 MILLION
- v. PARA 1.16PAGE 20
SHORT LEVY OF TAX DUE TO GIVING WRONG APPEAL EFFECT-RS.
0.325 MILLION
- vi. PARA 1.17PAGE 21
UNDER- ASSESSMENT OF INCOME DUE TO EXCESSIVE
ALLOWANCE OF RELIEF-RS. 0.317 MILLION
- vii. PARA 1.18 PAGE 21
INCOME NOT ASSESSED- RS. 0.134 MILLION
- viii. PARA 1.19PAGE 22
NON-TAXATION OF TRADING LIABILITY-RS. 0.115 MILLION
- ix. PARA 1.20PAGE 22
NON-TAXATION OF EXPENSES SUBSEQUENTLY WRITTEN BACK
AS DEEMED INCOME RS. 0.111 MILLION
- x. PARA 3.1PAGE 39
NON INVOKING THE PROVISION OF SECTION 80C (5A)-RS. 227.431
MILLION
- xi. PARA 3.3PAGE 40
NON-INVOKING THE PROVISION OF SECTION 52A- RS.34.113
MILLION
- xii. PARA 4.1PAGE 47
UNDER ASSESSMENT OF INCOME DUE TO INCORRECT GRANT OF
INITIAL DEPRECIATION ALLOWANCE-RS. 3,234.705 MILLION

PAC DIRECTIVE

The Committee settled the above 12 Paras on the recommendation of DAC.

AUDIT REPORT FOR THE YEAR 2002-03

9. i. PARA NO 1.2(3)(4)
NON-ADJUDICATION OF CONTRAVENTION CASES WITHIN THE
TIME PERIOD PRESCRIBED UNDER LAW- RS.50.850 MILLION
- ii. PARA NO.1.9 PAGE NO.144
BLOCKADE OF THE GOVERNMENT REVENUE DUE TO VOILATION
OF ENACTED PROVISIONS REGARDING WAREHOUSING OF
GOODS –RS.17.489 MILLION
- iii. PARA NO.1.10 PAGE NO.145
BLOCKADE OF GOVERNMENT REVENUE DUE TO DELAY IN
DISPOSAL OF CONFISCATED GOODS RS.24.818 MILLION
- iv. PARA NO.2.2 PAGE NO.150
CLEARANCE OF IMPORTED GOODS FROM A PRIVATE BONDED
WAREHOUSE BY FAKE BANK STAMPING ON CUSTOMS
CLEARANCE DOCUMENTS RS. 17.995 MILLION
- v. PARA NO.3.2 PAGE NO.154
IN-ADMISSIBLE REFUND OF CUSTOM DUES- RS.16.797 MILLION
- vi. PARA NO.3.3 PAGE NO.155
NON REALIZATION OF GOVERNMENT DUES OWING TO
INSUFFICIENT ACTION RS.6.305 MILLION
- vii. PARA NO.3.4(A) PAGE NO.156
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT
REALIZATION OF CUSTOMS DUES RS.1.508 MILLION
- viii. PARA NO.3.4 (B) PAGE NO.156
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT
REALIZATION OF CUSTOMS DUES RS.1.378 MILLION
- ix. PARA NO.3.6 PAGE NO.160
BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON DISPOSAL
OF CONFISCATED VEHICLES RS.4.030 MILLION

The PAO informed that most of the recoveries have been effected in the above 9 Paras and sought time till 30th June, 2016 for the recovery of the remaining amount.

PAC DIRECTIVE

The Committee directed the PAO to recover all outstanding amount till 30th June, 2016 and report to the Committee/Audit.

10. i. **PARA NO.1.11 PAGE NO.22**
UNLAWFUL PRACTICE OF DEPOSITING CERTAIN PORTION OF
SALE PROCEEDS OF CONFISCATED GOODS INTO COMMON POOL
FUND RS-9.702 MILLION
- ii. **PARA NO.3.1 PAGE NO.24**
EXCESS ALLOWANCE OF WASTAGE OF IMPORTED RAW
MATERIAL IN MANUFACTURE OF FINISHED GOODS IN BOND RS-
9.468 MILION
- iii. **PARA NO 3.4(C) PAGE NO.26**
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT
REALIZATION OF CUSTOMS DUES RS-0.872 MILLION
- iv. **PARA NO.3.4(D) PAGE NO.27**
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT
REALIZATION OF CUSTOMS DUES RS-1.236 MILLION
- v. **PARA NO.3.4(E) PAGE NO.28**
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT
REALIZATION OF CUSTOMS DUES RS-0.276
- vi. **PARA NO.3.4(F) PAGE NO.29**
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT
REALIZATION OF CUSTOMS DUES RS-0.234 MILLION
- vii. **PARA NO.3.4(G) PAGE NO.31**
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT
REALIZATION OF CUSTOMS DUES RS-0.157 MILLION
- viii. **PARA NO.3.5(A) PAGE NO.32**
PAYMENT OF INADMISSIBLE REWARD RS-0.862 MILLION
- ix. **PARA NO.3.5(B) PAGE NO.34**
PAYMENT OF INADMISSIBLE REWARD RS,0.751 MILLION
- x. **PARA NO.3.7 PAGE NO.36**
NON REALIZATION OF CUSTOMS DUES ON FAILURE TO PRODUCE
INSTALLATION CUM PRODUCTION CERTIFICATE RS,1.161 MILLION

- xi. PARA NO.3.8 PAGE NO.38
NON RECOVERY OF SALE PROCEEDS OF CONFISCATED GOODS
SOLD ON CREDIT RS. 0.242 MILLION
- xii. PARA NO.9.2.1 PAGE NO.40
LATE REALIZATION OF FOREIGN EXCHANGE IN SUPPORT OF
EXPORTS
- xiii. PARA NO.9.2.2 PAGE NO.41
EXCESS PAYMENT OF REBATE DUE TO ISSUANCE OF DEFECTIVE
NOTIFICATION BY CBR RS. 3.799 MILLION
- xiv. PARA NO.9.2.4 PAGE NO 42
FIXATION OF IRRATIONAL RATE OF REPAYMENT ON BLENDED
MADE UPS RS. 2.011 MILLION
- xv. PARA NO.9.2.5 PAGE NO 43
REPAYMENT OF CUSTOMS DUTY IN EXCESS OF THE AMOUNT
PAID ON IMPORTATION OF RAW MATERIAL RS. 0.355 MILLION
- xvi. PARA NO.9.2.6 PAGE NO 45
EXCESS REPAYMENT OF CUSTOMS DUTY ON LYCRA YARN RS.
0.355 MILLION
- xvii. PARA NO.9.2.7 PAGE NO.46
NON-COMPLIANCE OF ORDERS OF CENTRAL BOARD OF REVENUE
REGARDING INTERNAL AUDIT RS. 0
- xviii. PARA NO.9.3.1 PAGE NO 47
EXCESS REPAYMENT OF CUSTOMS DUTIES RS. 153.995 MILLION
- xix. PARA NO.9.3.2 PAGE NO 49
REPAYMENT OF SALES TAX WITHOUT FULFILLING CONDITIONS
OF NOTIFICATION RS. 29.117 MILLION
- xx. PARA NO.9.3.3 PAGE NO 51
EXCESS REPAYMENT ON HOSIERY ITEMS DUE TO
MISCALSSIFICATION RS. 0.521 MILLION
- xxi. PARA NO.9.3.4 PAGE NO.52
CREDIT OF GOVERNMENT MONEY INTO NO-TREASURY ACCOUNT
RS. 1.517 MILLION

PAC DIRECTIVE

The Committee settled the above 21 Paras on the recommendation of DAC.

FEDERAL BOARD OF REVENUE

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 19th January, 2017 while examining Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Federal Board of Revenue (FBR) are given below:-

1. i. **PARA 1.2, PAGE 136-137, AR 2002-03**

NON-ADJUDICATION OF CONTRAVENTION CASES WITHIN THE TIME PERIOD PRESCRIBED UNDER LAW- RS. 1,574.614 MILLION

Audit pointed out that under various provisions of taxation laws, contravention cases involving recovery of government dues are required to be adjudicated within 90 days or under special circumstances this period can further be extended by 90 days (i.e. total 180 days). Audit observed that these instructions were generally not followed by the concerned Collectorates of adjudication. Audit told that 738 cases of Rs1,574.614million pending for adjudication after lapse of stipulated period ranging from one month to more than 25 months.

ii. **PARA 1.4, PAGE 139, AR 2002-2003**

NON-COMPLIANCE OF THE SALES TAX REFUND RULES, 2000 BEFORE SANCTION OF REFUND – RS. 243.048 MILLION

Audit pointed out that according to rule 5 of the Sales Tax Refund Rules, 2000 (SRO 417(1)2000 dated 20th June 2000), the processing officer shall carry out necessary examination and scrutiny to ascertain the bona fides of the refund claim and that the sales tax return should be supported by required documents to prove the genuineness and admissibility of the refundable amount. Audit observed that refunds were sanctioned to registered persons on account of purchases made from those registered persons whose names were mentioned in the list of suspected units prepared by the FBR on the basis of fake/ flying invoices. In such cases the officer-incharge of refund was required under rule 5 of the Refund Rules, 2000 to make necessary scrutiny / verification including examination of relevant business record and stock taking for determining the genuineness and admissibility of refund claims.

PAO informed the committee that due to reshuffling in the FBR the record of some causes is not being traced. The PAO ensured that the record will be retrieved within 45 days and recovery materialized.

PAC DIRECTIVE

The Committee clubbed the above two paras and recommended the paras for settlement to the extent of amount recovered and regularized and pended the para till recovery of balance amount.

2. **PARA 1.3, PAGE 137, AR 2002-2003**
MISUSE OF SECTION 3(1A) OF THE SALES TAX ACT, 1990 LEADING TO
POSSIBLE EVASION OF SALES TAX AND CENTRAL EXCISE DUTY RS.
989.652 MILLION

Audit pointed out that according to the Sales Tax Act, 1990, a registered person is required to pay sales tax on taxable supplies made in the course or furtherance of any taxable activity. Under section 3 (1A) of the Act, if supplies are made to un-registered persons, further tax of 3 % is required to be levied in addition to sales tax. Under section 22 of the Act *ibid*, a registered person is required to maintain record of supplies showing the description, quantity and value of goods, name and address of the person(s) to whom the supplies are made, the amount of tax charged, etc.

Cigarettes are subject to levy of central excise duty as well as sales tax on retail price basis. Filter rods which are solely used in the manufacture of cigarettes are also subject to sales tax @ 15 % (taxable supplies). A registered person in the jurisdiction of the Collectorate of Sales Tax and Central Excise West), Karachi had shown supplies of filter rods (190.080 million in numbers) to a number of un-registered persons with addresses and locations in Islamabad, some districts of Punjab and AJK. The supplies being made to unregistered persons, a further tax of 3 % had been charged in addition to the standard rate of sales tax of 15 %. Filter rods are the basic raw material of cigarette manufacturing industry and are used only in the manufacture of filtered cigarettes. Sale of filter rods to un-registered persons was viewed as a source of evasion of sales tax and central excise duty by cigarette manufacture. Hence the matter was conveyed to the FBR in December, 2003.

PAO informed that M/s Paramount has provided details of un-registered persons who are mainly residents of Bajor Agency, FATA, Charsadda / Mardan and district of KPK. Gujrat Punjab and Muzafarabad AJK. . M/s Paramount has further furnished a copy of stay order issued by Honourable Sindh High Court dated 01-12-2014 and 28-04-2015 against the prohibition of supply of filter rods to un-registered persons. PAO informed that now system has been improved and its supply to unregistered person is not possible.

PAC DIRECTIVE

The Committee settled the para.

3. **PARA 1.1, PAGE 135 AR 2002-03**
NON-COMPLIANCE OF ENACTED PROVISION REGARDING RECOVERY OF
GOVERNMENT REVENUE –RS.497.741 MILLION

Audit pointed out that according to section 48 of the Sales Tax Act, 1990, section 11 of the Central Excise Act, 1944 read with the Central Excise Recovery Rules,

1992 and the Sales Tax Recovery Rules, 1992, tax authorities may recover government dues through prescribed procedure. Notwithstanding this, government revenue of Rs. 497.741million accruing as a result of adjudication of contravention cases remained unrealized.

PAO informed that only Rs. 123 million is pending and it needs some reconciliation and will be recovered shortly.

PAC DIRECTIVE

The Committee referred the para to DAC for reconsideration.

4. **PARA 8.2.2, PAGE 197-198 AR 2002-03**
REFUND OF SALES TAX WITHOUT OBSERVANCE OF SECTION 73 OF THE SALES TAX ACT, 1990- RS. 83.491 MILLION

Audit pointed out that the Section 73 of the Sales Tax Act, 1990, provides that no input tax adjustment/refund is admissible to a registered person unless the payment in respect of a transaction exceeding fifty thousand rupees is transferred from the business account of the buyer to the business account of the seller within 120 days through a crossed banking instrument. The Collectorate of Sales Tax Lahore and Faisalabad paid refund of Rs. 83.491 million in 12 cases without fulfillment of the said law. The Collectorate of Sales Tax Lahore was requested to provide the proof of payments and bank statements of processing of the balance refund claim.

PAO informed that 88% action has been taken and 12 % is pending which will be finalized up to 31st January, 2017.

SUB-COMMITTEE DIRECTIVE

The Committee pended the para.

5. **PARA 5.2, PAGE 176 AR 2002-03**
NON-PAYMENT OF SALES TAX ON GINNED COTTON-RS. 52.898 MILLION

Audit pointed out that violating the Special Procedure for Ginning Industry Rules 1996. 26 spinning units purchased ginned cotton from 61 ginners (situated in the jurisdiction of the Collectorate of Sales Tax Multan) did not paid sales tax leviable. This caused non-realization of sales tax of Rs. 52.898 million.

Audit apprised the committee that the recovery of outstanding amount still is required and department may be asked to expedite the balance recovery.

PAO informed that maximum amount has been recovered. He requested the Committee to provide two months time for recovery of the balance amount.

PAC DIRECTIVE

The Committee directed the PAO to recover balance amount and pended the para.

6. **PARA 5.4 (B), PAGE 181 AR 2002-03**
NON PAYMENT OF FURTHER TAX IN RESPECT OF SUPPLIES MADE TO UNREGISTERED PERSONS RS. 8.134 MILLION

Audit pointed out that 192 coal miners / registered persons with the Collectorate of Sales Tax, Quetta did not pay 3% further tax on supply of coal made to un-registered persons. This led to short payment of government revenue of Rs 8.134 million.

PAO informed that the recovery in the Baluchistan was difficult and efforts are being made for recovery.

PAC DIRECTIVE

The Committee directed the PAO to recover balance amount and pended the para.

7. **PARA 5.6 (C), PAGE 18 AR 2002-03**
SHORT-PAYMENT OF SALES TAX ON SUPPLIES BY REGISTERED PERSONS DUE TO UNDERVALUATION –RS. 7.334 MILLION

Audit pointed out that according to practice adopted by the Collectorate of Sales Tax Multan on the recommendation of a valuation committee constituted under section 2(46) of the Sales Tax Act 1990, value for supply of pesticides in repacking was required to be determined after value addition of 18 % plus packing charges. Contrary to this, three registered persons declared the value of supply less than that worked out as per the agreed formula. This resulted in under-assessment of sales tax. The registered persons also violated other provisions of the Act ibid such as section 7(1) and 73 etc. This led to short payment of sales tax of Rs 7.334 million.

PAO informed that the recovery from two companies was due and those firm have been closed and Directors of the firms are not traceable.

PAC DIRECTIVE

The Committee directed to recover balance amount and pended the para

8. **PARA 5.1 (B), PAGE 172 AR 2002-03**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-RS.
3.870 MILLION

Audit pointed out that four units in the jurisdiction of the Collectorate of Sales Tax Multan purchased pesticides in bulk quantity valuing Rs 15 million but did not declare their supplies while the goods were repacked and sold leading to evasion of sales tax of Rs 3.870 million.

PAO informed that the amount involved has been written off as per rules.

PAC DIRECTIVE

The Committee settled the para.

9. **PARA 1.12, PAGE 147-148 AR 2002-03**
NON-PRODUCTION OF RECORD

Audit pointed out that violating the section 14 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, auditable documents/records in a number of cases was not produced by departmental authorities despite repeated requests. The PAC had also directed the FBR to ensure production of auditable documents/records to Audit and take disciplinary action against the defaulters

PAO informed that the matter is subjudice in the court of law.

PAC DIRECTIVE

The Committee pended the para.

PARAS RECOMMENDED FOR PURSUANCE AT DAC LEVEL

10.i **PARA 1.5, PAGE 139 AR 2002-03**
UNLAWFUL CLAIM OF INPUT TAX ADJUSTMENT/REFUND CREDIT IN
NEGATION TO SECTION 73 OF THE SALES TAX ACT, 1990-RS 72.164
MILLION

ii. **PARA 1.6, PAGE 141 AR 2002-03**
INADMISSIBLE ADJUSTMENT OF INPUT TAX WITHOUT HOLDING SALES
TAX INVOICES-RS 11.932 MILLION

iii. **PARA 1.7, PAGE 142 AR 2002-03**
NON-COMPLIANCE OF ENACTED PROVISIONS REGARDING
CATEGORIZATION OF SALES TAX REGISTERED PERSONS-RS49.209
MILLION

- iv. PARA 2.1, PAGE 149 AR 2002-03
EVASION OF SALES TAX BY TEXTILE MILLS- RS. 770.304 MILLION
- v. PARA 4.1, PAGE 163 AR 2002-03
SHORT-REALIZATION OF CENTRAL EXCISE DUTY DUE TO
UNDERVALUATION OF UN-MANUFACTURED TOBACCO – RS. 42.702
MILLION
- vi. PARA 4.2, PAGE 164 AR 2002-03
SHORT-REALIZATION OF CENTRAL EXCISE DUTY ON CLEARANCE OF
LUBRICATING OIL IN BULK – RS. 1.859 MILLION
- vii. PARA 4.3, PAGE 164-165 AR 2002-03
SHORT-PAYMENT OF CENTRAL EXCISE DUTY ON FRUIT JUICES-
RS. 1.051 MILLION
- viii. PARA 4.5, PAGE 166 AR 2002-03
BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON CLEARANCE OF
EXCISABLE GOODS WITHIN THE PRESCRIBED PERIOD- RS. 0.735
MILLION
- ix. PARA 4.8, PAGE 168 AR 2002-03
SHORT-REALIZATION OF CENTRAL EXCISE DUTY AND SALES TAX DUE
TO UNDER-VALUATION OF METAL CONTAINERS – RS. 0.527 MILLION
- x. PARA 5.1 (A), PAGE 171 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 96.704 MILLION
- xi. PARA 5.1 (C), PAGE 171 AR 2002-2003
NON/ SHORT PAYMENT OF SALES TAX BY REGISTERED PERSON
RS. 0.979 MILLION
- xii. PARA 5.1 (D), PAGE 173 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 0.128 MILLION
- xiii. PARA 5.1 (E), PAGE 173 AR 2002-2003
NON/ SHORT PAYMENT OF SALES TAX BY REGISTERED PERSON –
RS. 1.916 MILLION
- xiv. PARA 5.1 (I), PAGE 174 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 0.559 MILLION

- xv. PARA 5.3 (B), PAGE 177 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-RS
1.391 MILLION
- xvi. PARA 5.3 (F), PAGE 178-179 AR 2002-2003
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX – RS
2.586 MILLION
- xvii. PARA 5.3 (J), PAGE 179 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-RS
0.102 MILLION
- xviii. PARA 5.4 (A), PAGE 181 AR 2002-03
NON-PAYMENT OF FURTHER TAX IN RESPECT OF SUPPLIES MADE TO
UNREGISTERED PERSONS -RS 1.121 MILLION
- xix. PARA 5.5 (B), PAGE 181 AR 2002-03
SHORT-PAYMENT OF SALES TAX OWING TO APPLICATION OF
INCORRECT RATE - RS 0.221 MILLION
- xx. PARA 5.6 (D), PAGE 184 AR 2002-2003
SHORT PAYMENT OF SALES TAX ON SUPPLIES BY REGISTERED
PERSON DUE TO UNDERVALUATION RS3.798 MILLION
- xxi. PARA 5.7 (B), PAGE 185 AR 2002-03
NON-REALIZATION OF ADDITIONAL TAX AND PENALTY ON LATE
DEPOSIT OF SALES TAX-RS 9.101 MILLION
- xxii. PARA 5.10 (A), PAGE 188 AR 2002-2003
GRANT OF INADMISSIBLE REFUND / ADJUSTMENT OF INPUT TAX
RS4.596 MILLION
- xxiii. PARA 5.10 (B), PAGE 188 AR 2002-2003
GRANT OF INADMISSIBLE REFUND/ ADJUSTMENT OF INPUT TAX -RS
9.776 MILLION
- xxiv. PARA 5.11, PAGE 189 AR 2002-03
NON-LEVY OF PENALTY FOR LATE FILING AND NON FILING OF RETURNS
-RS 0.164 MILLION
- xxv. PARA 8.2.1, PAGE 197 AR 2002-03
NON-OBSERVANCE OF RULES REGARDING VERIFICATION OF ORIGINAL
CREDITS BEFORE SANCTION OF REFUND- RS 384.869 MILLION

- xxvi. PARA 8.2.4, PAGE 199 AR 2002-03
REFUND OF (PROVINCIAL) SALES TAX OUT OF (FEDERAL) SALES TAX
- xxvii. PARA 8.2.5, PAGE 200 AR 2002-2003
REFUND OF SALES TAX DUE TO FBR RULING INCONSISTENT WITH LAW
RS. 21.722 MILLION
- xxviii. PARA 8.2.6, PAGE 200-201, AR 2002-03
NON-COMPLIANCE OF RULES FOR SALES TAX REFUND
- xxix. PARA 8.3.1, PAGE 203 AR 2002-2003
DOUBTFUL REFUND OF SALES TAX RS. 89.591 MILLION
- xxx. PARA 8.3.2, PAGE 205 AR 2002-03
EXCESS REFUND OF SALES TAX DUE TO DIFFERENCE IN QUANTITY OF
CONSUMPTION OF RAW MATERIAL AND EXPORTED GOODS- 29.650
MILLION
- xxxi. PARA 8.3.3(A), PAGE 205-206 AR 2002-03
REFUND OF SALES TAX ON GOODS SHORT EXPORTED-RS 7.481 MILLION
- xxxii. PARA 8.3.3(B), PAGE 206-207 AR 2002-03
REFUND OF SALES TAX ON GOODS SHORT EXPORTED-RS 4.686 MILLION
- xxxiii. PARA 8.3.4, PAGE 207-208 AR 2002-03
REFUND OF SALES TAX DUE TO ADJUSTMENT OF INPUT TAX
DISALLOWED UNDER LAW - RS 4.300 MILLION
- xxxiv. PARA 8.3.7, PAGE 209 AR 2002-2003
REFUND OF SALES TAX AGAINST PURCHASE FROM NON FILERS RS.
2.104 MILLION
- xxxv. PARA 8.3.8, PAGE 210 AR 2002-2003
NON REALIZATION OF SALES TAX AND REFUND OF TAX AGAINST
INVOICES OF NIL FILER – RS. 2.762 MILLION
- xxxvi. PARA 8.3.9, PAGE 211 AR 2002-03
REFUND OF SALES TAX DESPITE VARIATION IN COUNTS OF YARN
PURCHASED AND THAT USED IN THE MANUFACTURE OF EXPORTED
FABRICS-RS 1.607 MILLION
- xxxvii. PARA 8.3.10(A),(D),(G),(H)&(I), PAGE 211-214 AR 2002-03
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF SALES TAX-RS 1.815
MILLION

- xxxviii. PARA 8.3.10 (B), PAGE 211 AR 2002-2003
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF CASE TAX RS.0.663
MILLION
- xxxix. PARA 8.3.10 (C), PAGE 211 AR 2002-2003
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF CASE TAX RS.0.519
MILLION
- xl. PARA 8.3.10 (E), PAGE 213 AR 2002-2003
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF CASE TAX RS. 0.432
MILLION
- xli. PARA 8.3.10 (F), PAGE 213 AR 2002-2003
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF CASE TAX RS. 0.349
MILLION
- xlii. PARA 8.3.11, PAGE 214-215 AR 2002-03
EXCESS ADJUSTMENT OF INPUT TAX DUE TO EXCESSIVE PROCESS
WASTAGE-RS 1.042 MILLION
- xliii. PARA 8.4.1, PAGE 218 AR 2002-03
NON REALIZATION OF PENALTY ON TRACTORS SUPPLIED FOR
PURPOSES OTHER THAN AGRICULTURE -RS 8.338 MILLION

PAC DIRECTIVE

The Committee referred the above forty three paras for pursuance at DAC level.

PARAS RECOMMENDED FOR SETTLEMENT

- 11. i. PARA 1.8, PAGE 143 AR 2002-03
INCONSISTENCIES IN DECISIONS OF ADJUDICATING AUTHORITIES
IN CASES OF VIOLATION OF SECTION 7 (1) OF THE SALES TAX
ACT, 1990
- ii. PARA 4.4, PAGE 165 AR 2002-2003
SHORT REALIZATION OF CENTRAL EXCISE DUTY DUE TO
APPLICATION OF INCORRECT RATE -RS1.029 MILLION
- iii. PARA 4.6, PAGE 166 AR 2002-03
SHORT-REALIZATION OF CENTRAL EXCISE DUTY ON INSURANCE
PREMIUM AND LICENCE FEE- RS 0.598 MILLION

- iv. PARA 4.7, PAGE 167 AR 2002-2003
SHORT REALIZATION OF CENTRAL EXCISE DUTY AND SALES TAX
DUE TO SHORT ACCOUNTAL OF EXCISABLE GOODS -RS0.585
MILLION
- v. PARA 5.1 (F), PAGE 173 AR 2002-2003
NON/ SHORT PAYMENT OF SALES TAX BY REGISTERED PERSON -
RS0.494 MILLION
- vi. PARA 5.1 (G), PAGE 173 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 1.691 MILLION
- vii. PARA 5.1 (H), PAGE 174 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 8.405 MILLION
- viii. PARA 5.1 (J), PAGE 174 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 0.485 MILLION
- ix. PARA 5.1 (K), PAGE 175 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 0.271 MILLION
- x. PARA 5.1 (L), PAGE 175 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 1.186 MILLION
- xi. PARA 5.3 (A), PAGE 177 AR 2002-03
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT
TAX- RS 17.489 MILLION
- xii. PARA 5.3 (C), PAGE 177 AR 2002-2003
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT
TAX-RS10.397 MILLION
- xiii. PARA 5.3 (D), PAGE 178 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 0.644 MILLION
- xiv. PARA 5.3 (E), PAGE 178 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 3.904 MILLION
- xv. PARA 5.3 (G), PAGE 179 AR 2002-2003
INADMISSIBLE ADJUSTMENT OF INPUT TAX OF RS 0.308 MILLION

- xvi. PARA 5.3 (H), PAGE 179 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 0.121 MILLION
- xvii. PARA 5.3 (I), PAGE 179 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 24.116 MILLION
- xviii. PARA 5.5 (A), PAGE 181 AR 2002-03
SHORT-PAYMENT OF SALES TAX OWING TO APPLICATION OF
INCORRECT RATE - RS 2.153 MILLION
- xix. PARA 5.6 (A), PAGE 182 AR 2002-03
SHORT-PAYMENT OF SALES TAX ON SUPPLIES BY REGISTERED
PERSONS DUE TO UNDERVALUATION -RS 3.549 MILLION
- xx. PARA 5.6 (B, PAGE 182 AR 2002-03
SHORT-PAYMENT OF SALES TAX ON SUPPLIES BY REGISTERED
PERSONS DUE TO UNDERVALUATION -RS 2.207 MILLION
- xxi. PARA 5.7 (A), PAGE 183 AR 2002-03
NON-REALIZATION OF ADDITIONAL TAX AND PENALTY ON LATE
DEPOSIT OF SALES TAX-RS 15.087 MILLION
- xxii. PARA 5.8, PAGE 186 AR 2002-03
NON-PAYMENT OF SALES TAX ON SALE OF ASSETS BY
REGISTERED PERSONS-RS 3.066 MILLION
- xxiii. PARA 5.9 (B), PAGE 186 AR 2002-03
GRANT OF MULTIPLE REFUNDS ON THE BASIS OF FORGED
PHOTO COPIES OF BANK DRAFTS – RS 2.061 MILLION
- xxiv. PARA 8.2.3, PAGE 198 AR 2002-2003
NON OBSERVANCE OF RULE 9(5) OF SALES TAX REFUND RULE
2002
- xxv. PARA 8.2.7, PAGE 201 AR 2002-2003
NON COMPLIANCE OF RULE REGARDING POST REFUND AUDIT
- xxvi. PARA 8.2.8, PAGE 201-202 AR 2002-03
VIOLATION OF SECTION 7(I) OF THE SALES TAX ACT, 1990
- xxvii. PARA 8.2.9, PAGE 201-202 AR 2002-03
NON PRODUCTION OF RECORD

- xxviii. PARA 8.3.5, PAGE 208-209 AR 2002-03
IRREGULAR REFUND OF SALES TAX- RS 3.071 MILLION
- xxix. PARA 8.3.6, PAGE 209 AR 2002-03
OVERPAYMENT OF REFUND OF SALES TAX DUE TO OVER-
INVOICING RS. 2.395 MILLION
- xxx. PARA 8.3.12, PAGE 215-216 AR 2002-03
REFUND OF SALES TAX AGAINST EXPORTS OF IRRELEVANT
PERIOD –RS 39.961 MILLION
- xxxi. PARA 8.3.13, PAGE 216-217 AR 2002-03
IRREGULAR PAYMENT OF REFUND OF SALES TAX UNDER
SECTION 66 OF THE SALES TAX ACT, 1990 -RS. 13.374 MILLION
- xxxii. PARA 8.3.14, PAGE 217 AR 2002-03
NON ACCOUNTAL OF BLADDERS IMPORTED FREE OF CUSTOMS
DUES FOR MANUFACTURE OF FOOTBALLS FOR EXPORT
- xxxiii. PARA 8.4.2, PAGE 218-219 AR 2002-03
NON REALIZATION OF PENALTY ON CONTRAVENTION OF
VARIOUS PROVISIONS OF THE SALES TAX ACT, 1990-RS 0.497
MILLION
- xxxiv. PARA 8.4.3, PAGE 219 AR 2002-03
EXCESS REFUND DUE TO NON-ACCOUNTAL OF FABRICS-RS 1.633
MILLION
- xxxv. PARA 8.4.4(A), PAGE 219 AR 2002-03
NON REALIZATION OF SALES TAX AND ADDITIONAL TAX-RS 0.632
MILLION
- xxxvi. PARA 8.4.4(B), AR 2002-03
NON REALIZATION OF PENALTY AND ADDITIONAL TAX-RS 0.601
MILLION

PAC DIRECTIVE

The Committee settled the above thirty six paras on the recommendation of DAC.

SUBJUDICE IN COURT

12. PARA 5.9 (A), PAGE 186 AR 2002-03
GRANT OF MULTIPLE REFUNDS ON THE BASIS OF FORGED PHOTO
COPIES OF BANK DRAFTS – RS 2.902 MILLION

PAC DIRECTIVE

The Committee directed the PAO to pursue the case in the Court of law vigorously.

13. **PARA 2.1, PAGE 35 AR 2002-03**
SHORT LEVY OF TAX DUE TO ALLOWANCE OF INADMISSIBLE EXPENSES
– RS 1,717.331 MILLION

Audit pointed out that in 26 cases where expenses not admissible under section 23 of the Income tax Ordinance, 1979 and also specifically disallowed under section 24 ibid were allowed by the assessing officers. This resulted in short levy of tax amounting to Rs. 1,717.331 million.

PAO informed that issue was thoroughly discussed in the DAC meeting held on 28th April, 2016. He further stated that is a technical issue and the final verdict of the State Bank of Pakistan can finalize the issue. He requested the Committee that in the next meeting the Governor State Bank of Pakistan may be called for finalization the matter.

PAC DIRECTIVE

The Committee pended the para and directed the PAC Wing to call the Governor State Bank of Pakistan in the next meeting.

14. **PARA 3.2, PAGE 39 AR 2002-03**
NON INVOKING THE PROVISIONS OF SECTION 52- RS. 218.997 MILLION

Audit pointed out that where any person failed to deduct or pay the tax collected under section 50 of the Income Tax Ordinance, 1979 he is to be deemed an assessee in default in respect of such tax under section 52 of the Ordinance. During test check it was noticed that in 21 cases the legal action was not taken by the assessing officers. This deprived the government of revenue amounting to Rs. 218.997 million.

PAO requested the Committee to give some time for completion of recovery and ensured the pending amount will be recovered as early as possible.

PAC DIRECTIVE

The Committee pended the para till next meeting.

**15. PARA 1.6, PAGE 13 AR 2002-03
NON ASSESSMENT OF DEEMED INCOME- RS. 79.036 MILLION**

Audit pointed out that the Audit observed 19 cases where taxpayers had concealed their income to evade tax. This warranted assessment of such income, as well as imposition of penalty under section 111 of the Income Tax Ordinance, 1979 but needful was not done by the assessing officers which deprived the government of revenue of Rs. 79.036 million.

PAO informed that an amount of Rs. 1.792 million has been recovered and verified by the Audit, Rs. 0.030 million has been written off and efforts are being made to recover the balance amount beside the amount which is subjudice/under adjudication in the court of law.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

**16.i PARA 1.2, PAGE 10 AR 2002-03
SHORT LEVY OF TAX DUE TO WRONG COMPUTATION OF INCOME –
RS.1,505.454 MILLION**

**ii. PARA 1.4, PAGE 11 AR 2002-03
NON ASSESSMENT OF INCOME FROM OTHER SOURCES- RS 161.901
MILLION**

**iii. PARA 1.5, PAGE 12 AR 2002-03
SHORT LEVY OF TAX DUE TO SETTING OFF INCOME FROM OTHER
HEADS AGAINST CARRY FORWARD OF BUSINESS LOSSES- RS. 150.758
MILLION**

**iv. PARA 1.7, PAGE 14 AR 2002-03
SHORT LEVY OF MINIMUM TAX UNDER 80D- RS 71.219 MILLION**

**v. PARA 1.12, PAGE 18 AR 2002-03
SHORT LEVY OF TAX - RS 4.078 MILLION**

**vi. PARA 1.15, PAGE 19 AR 2002-03
EXCESS DETERMINATION OF REFUND – RS. 0.830 MILLION**

**vii. PARA 3.4, PAGE 40 AR 2002-03
SHORT-LEVY OF TAX ON CONTRACTS, SUPPLIES AND COMMERCIAL
IMPORTS (SECTION 80-C) - RS. 15.300 MILLION**

- viii. PARA 3.5, PAGE 41 AR 2002-03
NON-LEVY OF TAX UNDER SECTION 80CC-RS 4.334 MILLION
- ix. PARA 4.2, PAGE 47 AR 2002-03
SHORT-LEVY OF TAX DUE TO GRANT OF INADMISSIBLE DEPRECIATION
ALLOWANCE-RS 781.343 MILLION
- x. PARA 5.1, PAGE 51 AR 2002-03
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ADVANCE TAX
U/S 87-RS. 117.477 MILLION
- xi. PARA 5.2, PAGE 51 AR 2002-03
NON-LEVY OF ADDITIONAL TAX FOR NON-PAYMENT OF TAX LIABILITY
WITH RETURN (SECTION 88) RS 36.087 MILLION
- xii. PARA 5.3, PAGE 52 AR 2002-03
NON-LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF ASSESSED TAX
OR PENALTY (SECTION 89) RS. 33.550 MILLION
- xiii. PARA 6.1, PAGE 63 AR 2002-03
SHORT-LEVY OF TAX DUE TO MISAPPLICATION OF RATES-RS 38.661
MILLION
- xiv. PARA 6.2, PAGE 63 AR 2002-03
NON-LEVY OF SURCHARGE-RS 22.094 MILLION
- xv. PARA 7.1, PAGE 73AR 2002-03
NON IMPOSITION OF PENALTY IN CONCEALMENT CASES- RS. 18.157
MILLION
- xvi. PARA 7.2, PAGE 73 AR 2002-03
NON-IMPOSITION OF PENALTY FOR FAILURE TO FURNISH A RETURN U/S
108-RS 12.626 MILLION
- xvii. PARA 8.1, PAGE 81 AR 2002-03
NON-FILING OF WEALTH TAX RETURNS- RS 11.585 MILLION
- xviii. PARA 8.2, PAGE 81AR 2002-03
NON-IMPOSITION OF PENALTY UNDER SECTION 18-RS 10.141 MILLION
- xix. PARA 8.3, PAGE 82 AR 2002-03
UNDER-VALUATION OF SHARES- RS 2.535 MILLION
- xx. PARA 8.4, PAGE 83 AR 2002-03
NON-LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 31B(I)-RS
1.924 MILLION

- xxi. PARA 8.5, PAGE 84 AR 2002-03
UNDER-VALUATION OF PROPERTY- RS.1.672 MILLION
- xxii. PARA 8.6, PAGE 84 AR 2002-03
WRONG ALLOWANCE OF EXEMPTIONS-RS 0.928 MILLION
- xxiii. PARA 8.7, PAGE 85 AR 2002-03
NON-LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 31BBB- RS.
0.769 MILLION
- xxiv. PARA 8.9, PAGE 86 AR 2002-03
NON- LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 31B (II)-RS.
0.494 MILLION
- xxv. PARA 8.10, PAGE 87 AR 2002-03
WRONG COMPUTATION OF WEALTH TAX-RS 0.448 MILLION
- xxvi. PARA 8.12, PAGE 88 AR 2002-03
SHORT COMPUTATION OF NET WEALTH - RS 0.400 MILLION
- xxvii. PARA 8.13, PAGE 88 AR 2002-03
NON-LEVY OF SURCHARGE ON WEALTH TAX-RS. 0.075 MILLION
- xxviii. PARA 9.1, PAGE 109 AR 2002-03
NON REALIZATION OF WORKERS WELFARE FUND- RS. 22.744 MILLION

PAC DIRECTIVE

The Committee recommended the above 28 paras for pursuance at DAC level.

- 17.i PARA 1.1, PAGE 09 AR 2002-03
WRONG AMENDMENT OF ASSESSMENT ORDERS UNDER SECTION 156 -
RS 2,480.873 MILLION
- ii. PARA 1.8, PAGE 14 AR 2002-03
SHORT-LEVY OF TAX DUE TO NON-ALLOCATION OF PROPORTIONATE
EXPENSES- RS 44.719 MILLION
- iii. PARA 1.13, PAGE 18 AR 2002-03
ASSESSMENT UNDER SECTION 80C INSTEAD OF SECTION 62 OF THE
INCOME TAX ORDINANCE 1979-RS. 2.809 MILLION.
- iv. PARA 1.14, PAGE 19 AR 2002-03
WRONG REDUCTION OF TAX LIABILITY- RS 1.306 MILLION
- v. PARA 8.8, PAGE 85 AR 2002-03
WRONG DETERMINATION OF ALV- RS 0.621 MILLION

- vi. PARA 8.11, PAGE 87 AR 2002-03
NON-LEVY OF WEALTH TAX UNDER SECTION 14-C-RS 0.445 MILLION.

PAC DIRECTIVE

The Committee settled the above six paras on the recommendation of the DAC.

- 19.i. PARA 1.2
SHORT LEVY OF TAX DUE TO WRONG COMPUTATION OF INCOME
- ii. PARA 1.4
NON ASSESSMENT OF INCOME FROM OTHER SOURCES
- iii. PARA 1.5
SHORT LEVY OF TAX DUE TO SETTING OFF INCOME FROM OTHER HEADS AGAINST CARRY FORWARD OF BUSINESS LOSSES
- iv. PARA 1.6
NON ASSESSMENT OF DEEMED INCOME
- v. PARA 1.12
SHORT LEVY OF TAX DUE TO WRONG COMPUTATION
- vi. PARA 2.1
SHORT LEVY OF TAX DUE TO ALLOWANCE OF INADMISSIBLE EXPENSES
- vii. PARA 3.2
NON INVOKING THE PROVISIONS OF SECTION 52
- viii. PARA 5.2
NON-LEVY OF ADDITIONAL TAX FOR NON-PAYMENT OF TAX LIABILITY WITH RETURN (SECTION 88)
- ix. PARA 5.3
NON-LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF ASSESSED TAX OR PENALTY (SECTION 89)
- x. PARA 6.1
SHORT-LEVY OF TAX DUE TO MISAPPLICATION OF RATES
- xi. PARA 7.1
NON IMPOSITION OF PENALTY IN CONCEALMENT CASES
- xii. PARA 7.2
NON-IMPOSITION OF PENALTY FOR FAILURE TO FURNISH A RETURN U/S
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xiii. PARA 8.4
NON-LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 319B (I)

PAC DIRECTIVE

On the present action of the above 13 paras by the Audit, the Committee directed the PAO to pursue the case in Court of Law vigorously.

20. AUDIT PARA-1.2(3)(4), PAGE-136 AUDIT REPORT 2002-03
NON-ADJUDICATION OF CONTRAVENTION CASES WITHIN THE TIME
PERIOD PRESCRIBED UNDER LAW – RS. 50.850 MILLION

Audit pointed out that under various provisions of taxation laws, contravention cases involving recovery of government dues are required to be adjudicated finally within 90 days or under special circumstances this period can further be extended by 90 days (i.e. total 180 days). Audit observed that these instructions were generally not followed by the concerned Collectorates of adjudication and consequently revenue of Rs. 50.850 million remained non-adjudged.

PAO informed that an amount of Rs. 498,185 has been recovered and an amount of Rs. 7,927,887 has been regularized. The balance amount could not be recovered because the matter is subjudice in the court of law.

PAC DIRECTIVE

The Committee directed the PAO to pursue the case for recovery of balance amount in the court of law and pended the para.

21. AUDIT PARA-1.10, PAGE-145 AUDIT REPORT 2002-03
BLOCKADE OF GOVERNMENT REVENUE DUE TO DELAY IN DISPOSAL OF
CONFISCATED GOODS – RS. 24.818 MILLION

Audit pointed out that the Customs General Order No. 43/99 of 26th October, 1999, provides various options for disposal of different categories of confiscated goods such as, sale to the authorized outlets like Canteen Store Department, Utility Stores Corporation, Cooperative Stores of the Provincial Governments, PIA, Duty Free Shops Ltd, etc or their auction in accordance with the prescribed procedure. Such goods are not disposed of regularly leading to blockade of government revenue besides depreciation in value of the goods with the passage of time. In four Collectorates in illustrative cases, non-disposal of goods worth Rs.24.818 was found pending for disposal for a period ranging up to 5 years.

PAO informed that an amount of Rs. 4.03 million has been recovered, an amount of Rs. 0.82 million was not due. He further added that as regard the recovery of tempered vehicle (0.4 million), it will be recovered by the disposing of the said vehicle in the next auction.

PAC DIRECTIVE

The Committee settled the para subject to full recovery of amount and verification by the Audit.

22. **AUDIT PARA-1.9, PAGE-144 AUDIT REPORT 2002-03**
BLOCKADE OF THE GOVERNMENT REVENUE DUE TO VIOLATION OF
ENACTED PROVISIONS REGARDING WAREHOUSING OF GOODS - RS.
17.489 MILLION

Audit pointed out that according to section 98 of the Customs Act, 1969, imported goods other than perishable goods notified by Central Board of Revenue may remain in a warehouse for a period of one year. This period is extendable by the competent authority on sufficient cause shown by the owner of the goods subject to the condition that the importer pays in advance for the extended period, a surcharge at the rate of 2% per month of duties and taxes leviable thereon. Failure to do this, the owner of the goods is liable to pay full amount of duty together with rent, penalty, surcharge and other leviable under the law. Contrary to this, certain imported goods remained in different warehouses beyond the period prescribed under the law. The respective bonders also did not request for extension of warehousing period on payment of advance surcharge nor did customs authorities take cognizance of this violation of law leading to blockade of government revenue. This inefficiency of customs staff and weak monitoring system caused blockade of government revenue of Rs. 17,489,979 in only 8 bonded warehouses whereas total number of bonded warehouses country-wide are more than one thousand in which blocked revenue might be manifold.

The PAO informed that the whole amount has been recovered and verified by the Audit and an amount of Rs. 0.355 million has been recovered but still not verified by the Audit. It documents will be submitted to Audit for verification.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

23. **AUDIT PARA 3.2, PAGE 154 AUDIT REPORT 2002-2003**
IN-ADMISSIBLE REFUND OF CUSTOM DUES – RS.16.797 MILLION

Audit pointed out that according to section 81 of the Custom Act ,1969,if it is not possible to assess custom dues for the reason that the goods required further inquire for the purpose of assessment or complete document have not furnished in respect of imported goods , the duty pay able on such goods may be assessed provisionally and the final assessment should be made within 180 days (6 months)of the date of provisional assessment or exceptional circumstances ,it is extendable for ninety days (three months). If the assessment not finalized with

the prescribed or extended period (180+90=270 days), the provisional assessment become final. Contrary to this, the collectorate of Customs, Quetta allowed refund of custom duty during the period from January 2002 to June 2002 paid on Iranian cement imported in June and July 1999. At the time import, the goods were provisionally assessed @ US \$ 46 PMT. The final assessment was, however, made later @ US \$ 32 PMT in August 2002 i.e. much after the expiry of the permissible /extend period of nine months. The provisional assessment made earlier @ US \$ 46 PMT in June and July, 1999 had attained finality latest by March/April 2000 in the light of above referred law. The reduction in value as such the assessment of custom duty being barred by time was not admissible under the law. Thus, the creation of any refund on this basis was unlawful. Besides, the refund of custom duties was not admissible as the burden of incidence of taxes had already passed on to the consumer. Notwithstanding this, the Collectorate of Customs Quetta allowed inadmissible refund of custom duty of Rs.12,160,000 Central Excise Duty of Rs.4,243,000 and sales Tax of Rs.394,000 aggregating to Rs.16,797,000 during the period from January 2002 to June 2002.

The PAO informed that the case regarding valuation of Iranian cement was finalized by the Baluchistan High Court. Accordingly the revenue has been collected at the value finalized by the Court. It became late because the matter was in the Court of law.

PAC DIRECTIVE

The Committee settled the para.

24. **AUDIT PARA 3.3, PAGE 155 AUDIT REPORT 2002-2003**
NON REALIZATION OF GOVERNMENT DUES OWING TO INSUFFICIENT
ACTION RS. 6.305 MILLION

Audit pointed out that the CBR allowed provisional release of machinery to an importer in December 1999 under SRO 27(I)/98 dated 17th January, 1998, which allows exemption to plant, machinery and equipment imported by export-oriented or value-added industry. The release was allowed against an undertaking along with post-dated cheques equivalent to the amount of duty & taxes, as the importer had requested the Board of Investment for categorization of his industry as value-added industry. The request of the importer was rejected by the Board of Investment in January, 2001 stating that they did not qualify the criteria of value addition of 40% as laid down in the said SRO. The CBR asked the Collectorate of Customs (Appraisal) Karachi in February, 2001 that the benefit of the said SRO was not admissible to the machinery so imported. The collectorate was required to recover the government dues involved immediately for which they had in their possession postdated cheques of the importer, but no action was taken for 15 months and the importer went into appeal in the Sindh High Court in May 2002. The Honourable High Court remanded the case to the Board of Investment on 31st May, 2002 asking them to

decide the case afresh within 02 months. The Board of Investment, however, did not decide the case till the finalization of this report in June 2004. In order to make good the government dues, the collectorate issued a demand notice on 5th May 2003 for an amount of Rs. 6,305,255 instead of getting the postdated cheques encashed which defeated the very purpose of obtaining postdated cheques. The demand notice was also not pursued although there was no stay against recovery from any court of law.

PAO informed that the Honorable Sindh High court referred the case to the Board of Investment to decide the case within two months. He told that the Board of Investment is being requested to resolve the issue as early as possible. Audit would be intimated of the final outcome in due course.

PAC DIRECTIVE

The Committee settled the para.

**25. AUDIT PARA 3.6, PAGE 160 AUDIT REPORT 2002-2003
BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON DISPOSAL OF
CONFISCATED VEHICLES –RS. 4.030 MILLION**

Audit pointed out that according to the Registration of Auctioneers and Auction Procedure Rules, 1996 read with Customs General Order No.43/99 of 26th October 1999, goods including motor vehicles ripe for disposal are required to be disposed of through public auction as per procedure laid down therein. Contrary to this, Inspector General Frontier Corps, Quetta under the administrative control of the Ministry of Interior did not dispose of 19 vehicles confiscated during the period from July 1999 to December 2001, thus blocking government revenue of Rs. 5,480,000 (on appraised value basis) because there was no mechanism to monitor disposal of confiscated goods/vehicles although confiscation is their routine and continuous process. The Collectorate of Custom Quetta having jurisdiction could not take notice of non-disposal of confiscated vehicles.

PAO informed that the auction of vehicles as per direction of DAC has been completed and all the documents has been shown to Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit.

**26. AUDIT PARA-3.4 (A), PAGE-156 AUDIT REPORT 2002-03
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT REALIZATION OF
CUSTOMS DUES - RS. 1.508 MILLION**

Audit pointed out that the Customs authorities under the Collectorate of Customs, Lahore misclassified certain imported goods attracting lower rate of customs duty. The misclassification resulted in short-realization of customs dues of Rs. 1,508,651. The irregularities were pointed out to the concerned customs authorities and were also reported to the FBR during 2002-2003. The department informed that the cases were adjudicated for recovery of government dues and that partial recovery of Rs. 72,102 was materialized leaving a balance of Rs. 1,436,54.

PAO informed that Rs. 0.849 million has been recovered and efforts are being made to recover balance amount of Rs. 0.292 million.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

**27. AUDIT PARA-3.4 (B), PAGE-156 AUDIT REPORT 2002-03
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT REALIZATION OF
CUSTOMS DUES -RS. 1.378 MILLION**

Audit pointed out that according to the government notification of 18th June, 2001 (SRO 389 (I)/2001), sales tax is leviable @ 20% on import of sheets and butyle acetates. Contrary to this, the customs functionaries under the Collectorate of Customs Peshawar applied lower rate of sales tax on clearance of the said imported goods. The application of lower rate of sales tax resulted in short-realization of government revenue of Rs. 1,377,864.

PAO informed that Rs. 0.124 million has been recovered efforts are being made to recover balance amount of Rs. 1.25 million.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

**28. AUDIT PARA-2.2, PAGE 150 AUDIT REPORT 2002-03
CLEARANCE OF IMPORTED GOODS FROM A PRIVATE BONDED
WAREHOUSE BY FAKE BANK STAMPING ON CUSTOMS CLEARANCE
DOCUMENTS - RS. 17.995 MILLION**

The Committee was apprised that the matter is subjudice in court of law.

PAC DIRECTIVE

The Committee pended the para till its next meeting.

FEDERAL BOARD OF REVENUE

ACTIONABLE POINTS

Actionable points arising out from discussion of PAC meeting held on 25th and 26th, October, 2017 while examining the Audit Reports / Special Audit Reports for the year 2002-03 pertaining to Federal Board of Revenue are given below:-

AUDIT REPORTS / SPECIAL AUDIT REPORTS FOR THE YEARS 2002-03

FEDERAL BOARD OF REVENUE (Direct Taxes)

1. **PARA 2.1 PAGE 35 AR 2002-03**
SHORT LEVY OF TAX DUE TO ALLOWANCE OF INADMISSIBLE
EXPENSES – RS. 1,717.331 MILLION

Audit pointed out that they observed 26 cases where expenses not admissible under section 23 of the Income tax Ordinance, 1979 and also specifically disallowed under section 24 were allowed by the assessing officers.

Audit told that violating the conditions of clause –X of sub-section -1 of Section 23 of (Repealed) Income Tax Ordinance 1979 in the case of M/s Agriculture Development Bank of Pakistan, provision for bad debts were allowed by the assessing officers. Similarly in other cases, inadmissible expenses were also allowed by the assessing officers, which resulted in short levy of tax amounting to Rs.1,717.331 million.

PAO informed that the loans were irrecoverable and hence were declared as bad debts through a proper procedure in the light of rules and courts decisions. State Bank has certified these loans. The representative of State Bank may be asked to clarify the position. However, the cases of loans which are in court are being pursued vigorously.

The representative of State Bank explained that the State Bank of Pakistan under prudential regulations inspects the banks on regular basis. The criteria of classification of loans is defined in the said rules. State Bank issues certificates to the Banks which are verified by the external auditors and other domains are not questioned by the state bank of Pakistan.

PAC DIRECTIVE

The Committee directed the PAO to re-examine the issue at DAC level and a senior expert from Ministry of Law and Justice may also be invited for his expert opinion for this particular para.

2. i) **PARA 3.2 AR 2002-03 PAGE 39**
NON INVOKING THE PROVISIONS OF SECTION 52- RS.218.997
MILLION

Audit pointed out that in 21 cases the legal action was not taken by the assessing officers violating section 50 & 52 of the Income Tax Ordinance, 1979. This deprived the government of revenue amounting to Rs. 218.997 million.

PAO informed that the amounts could not be recovered in time due to litigation. He told that Rs.6.621 million will be recovered at the end of this month. However the other amount which is subjudice in the court of law is being pursued vigorously.

ii) **PARA 1.6 AR 2002-03 PAGE 13**
NON ASSESSMENT OF DEEMED INCOME- RS. 79.036 MILLION

PAC DIRECTIVE

The Committee clubbed the above two paras of the same nature and directed to recover the balance amounts, get verified the recovered amount by the Audit and pursue the subjudiced cases of recovery, vigorously. However, the Committee pended the above two paras.

3. **FEDERAL BOARD OF REVENUE (Indirect Taxes)**
PARA 1.2 AR 2002-03
NON-ADJUDICATION OF CONTRAVENTION CASES WITHIN THE TIME
PERIOD PRESCRIBED UNDER LAW- RS.1,574.617 MILLION

Audit pointed out that 738 cases of Rs.1,574.614million were pending for adjudication after lapse of stipulated period ranging from one month to more than 25 months which was violation of provisions of taxation laws.

PAO informed that an amount of Rs.15.561 million was outstanding against the six companies. Out of which 9.9 million has been adjusted/settled and 51.7 million has been recovered. An amount of Rs.909.901 million has been regularized and Rs.13.756 million was not due and this stance has been accepted by the Audit.

PAC DIRECTIVE

The Committee settled the para (to the extent of amount recovered and regularized) subject to verification by the Audit and pended the para till the recovery of balance amount.

4. i. **PARA 1.1 PAGE 135 AR 2002-03**
NON-COMPLIANCE OF ENACTED PROVISION REGARDING
RECOVERY OF GOVERNMENT REVENUE – RS.497.741 MILLION

Audit pointed out that according to section 48 of the Sales Tax Act, 1990, section 11 of the Central Excise Act, 1944 read with the Central Excise Recovery Rules, 1992 and the Sales Tax Recovery Rules, 1992, tax authorities may recover government dues through prescribed procedure. Notwithstanding this, government revenue of Rs.497.741million accruing as a result of adjudication of contravention cases remained unrealized.

PAO informed that recovery was delayed due to litigation. Most of the cases become pending due to litigation. He added that an amount of Rs.112.158 has been settled and an amount of Rs.385.583 is pending.

ii. **PARA 1.4 AR 2002-2003 PAGE 139**
NON-COMPLIANCE OF THE SALES TAX REFUND RULES, 2000
BEFORE SANCTION OF REFUND – RS. 243.048 MILLION

iii. **PARA 8.2.2 AR 2002-03 PAGE 197-198**
REFUND OF SALES TAX WITHOUT OBSERVANCE OF SECTION 73
OF THE SALES TAX ACT, 1990- RS. 83.491 MILLION

PAC DIRECTIVE

The Committee clubbed the above three paras and recommended the paras for settlement (to the extent of amount recovered and regularized) subject to verification by the Audit and pended the paras till the recovery of balance amount.

5. **PARA 5.2 AR 2002-03 PAGE 176**
NON-PAYMENT OF SALES TAX ON GINNED COTTON-RS. 52.898 MILLION

Audit pointed out that contrary to the sales tax laws, 26 spinning units purchased ginned cotton from 61 ginneries situated in the jurisdiction of the Collectorate of Sales Tax Multan but sales tax leviable thereon was not paid. This caused non-realization of sales tax of Rs 52.898 million.

PAO informed that an amount of Rs.13 million has been recovered and the recovery Rs.22.8 million is under process. It is expected that a reasonable amount will be recovered up to 30th November, 2017.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

6. **PARA 5.4 (B) AR 2002-03 PAGE 181**
NON PAYMENT OF FURTHER TAX IN RESPECT OF SUPPLIES MADE TO UNREGISTERED PERSONS RS. 8.134 MILLION

Audit pointed out that 192 coal miners / registered persons with the Collectorate of Sales Tax, Quetta did not pay 3% further tax on supply of coal made to un-registered persons. This led to short payment of government revenue of Rs 8.134 million.

PAO informed that out of 8.134 million an amount of Rs.3.206 million has been settled and efforts are being made for the recovery of balance amount.

PAC DIRECTIVE

The Committee settled the para (to the extent of amount recovered and regularized) subject to verification by the Audit and pended the para till the recovery of balance amount.

7. **PARA 5.6 (C) AR 2002-03 PAGE 18**
SHORT-PAYMENT OF SALES TAX ON SUPPLIES BY REGISTERED PERSONS DUE TO UNDERVALUATION – RS. 7.334 MILLION

Audit pointed out that contrary to sales tax laws, three registered persons declared the value of supply less than that worked out as per the agreed formula. This resulted in under-assessment of sales tax. The registered persons also violated other provisions of the Act ibid such as section 7(1) and 73 etc. This led to short payment of sales tax of Rs 7.334 million.

PAO informed that only an amount of Rs.2.595 million is pending.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit otherwise it should be got written off if admissible under the rule.

8. **PARA 1.12 AR 2002-03**
NON-PRODUCTION OF RECORD

Audit pointed that in a number of cases auditable record was not produced by departmental authorities despite repeated requests and explicit directives of the PAC. The PAC had directed the FBR to ensure production of auditable documents/records to Audit and take disciplinary action against the defaulters.

PAO informed that the matter is subjudice in the court of law therefore the record could not be provided.

PAO informed that on the direction of the Audit, notices were issued to the defaulters for provision of more record of those cases which were finalized by the FBR because Audit was not satisfied. To reopen the closed cases, it was necessary to mention the reason for reopening of case. The defaulters instead of providing the required document challenged the case in the court of law. However, in future such practice will be stopped.

PAC DIRECTIVE

The Committee directed the PAO to probe the issue of non-provision of record, fix responsibility, take action and submit the report to the Audit with in thirty days.

9. **AUDIT PARA 3.6 AR-2002-2003 PAGE 160**
DRAFT PARA 2050-CD/K
BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON DISPOSAL OF
CONFISCATED VEHICLES -RS. 4.030 MILLION

Audit pointed out that violating the Registration of Auctioneers and Auction Procedure Rules, 1996 Inspector General Frontier Corps, Quetta under the administrative control of the Ministry of Interior did not dispose of 19 vehicles confiscated during the period from July 1999 to December 2001, thus blocking government revenue of Rs. 5,480,000 (on appraised value basis).

PAO informed that 18 vehicles have been disposed of and record has been provided to Audit for verification. The Auction of one vehicle is under process.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit.

10. **AUDIT PARA-3.4 (A) PAGE-156 AUDIT REPORT 2002-03**
DRAFT PARAS 8967, 8993, 8994, 8999 & 9089-CUS
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT REALIZATION OF
CUSTOMS DUES - RS. 1.508 MILLION

Audit pointed out that customs authorities under the Collectorate of Customs, Lahore misclassified certain imported goods attracting lower rate of customs duty. The misclassification resulted in short-realization of customs dues of Rs. 1,508,651.

PAO informed that an amount of 0.928 million has been recovered and efforts are being made to recover/regularize the balance amount.

PAC DIRECTIVE

The Committee settled the para.

11. **AUDIT PARA-3.4 (B) PAGE-156 AUDIT REPORT 2002-03**
DRAFT PARAS 8945 & 8979-CUS
UNDUE BENEFIT TO IMPORTERS LEADING TO SHORT REALIZATION OF
CUSTOMS DUES - RS. 1.378 MILLION

Audit pointed out that violating the government notification of 18th June, 2001 (SRO 389 (I)/2001), sales tax is leviable @ 20% on import of sheets and butyle acetate the customs functionaries under the Collectorate of Customs Peshawar applied lower rate of sales tax on clearance of the said imported goods. The application of lower rate of sales tax resulted in short-realization of government revenue of Rs.1,377,864.

PAO informed that property has been attached and will be auctioned to recover the amount.

PAC DIRECTIVE

The Committee settled the para.

12. **AUDIT PARA-2.2 AR-2002-03 DP-9197 PAGE 150**
CLEARANCE OF IMPORTED GOODS FROM A PRIVATE BONDED
WAREHOUSE BY FAKE BANK STAMPING ON CUSTOMS CLEARANCE
DOCUMENTS - RS. 17.995 MILLION

Audit pointed out that imported goods involving customs dues of Rs. 17.995 million were removed from a bonded warehouse in Gujrat during the period June 1998 to July 2001 on the basis of fake bank stamping of National Bank of Pakistan, Sambrial on customs clearance documents.

The Committee was apprised that the matter is subjudice in the court of law.

PAC DIRECTIVE

The Committee pended the para.

PARAS SUBJUDICE

13. **PARA 5.9 (A) PAGE 186 AR 2002-03**
GRANT OF MULTIPLE REFUNDS ON THE BASIS OF FORGED PHOTO
COPIES OF BANK DRAFTS – RS. 2.902 MILLION

PAC DIRECTIVE

The Committee pended the para and directed the PAO to pursue the issue in the court of law vigorously.

PARAS REFERRED TO MONITORING AND IMPLEMENTATION

14. i. **PARA 1.2 PAGE 10 AR 2002-03**
SHORT LEVY OF TAX DUE TO WRONG COMPUTATION OF INCOME
- RS.1,505.454 MILLION
- ii. **PARA 1.4 PAGE 11 AR 2002-03**
NON ASSESSMENT OF INCOME FROM OTHER SOURCES- RS
161.901 MILLION
- iii. **PARA 1.5 PAGE 12 AR 2002-03**
SHORT LEVY OF TAX DUE TO SETTING OFF INCOME FROM OTHER
HEADS AGAINST CARRY FORWARD OF BUSINESS LOSSES- RS.
150.758 MILLION
- iv. **PARA 1.7 PAGE 14 AR 2002-03**
SHORT LEVY OF MINIMUM TAX UNDER 80D- RS 71.219 MILLION
- v. **PARA 1.12 PAGE 18 AR 2002-03**
SHORT LEVY OF TAX - RS. 4.078 MILLION
- vi. **PARA 3.4 PAGE 40 AR 2002-03**
SHORT-LEVY OF TAX ON CONTRACTS, SUPPLIES AND
COMMERCIAL IMPORTS (SECTION 80-C) - RS. 15.300 MILLION
- vii. **PARA 3.5 PAGE 41 AR 2002-03**
NON-LEVY OF TAX UNDER SECTION 80CC-RS. 4.334 MILLION
- viii. **PARA 4.2 PAGE 47 AR 2002-03**
SHORT-LEVY OF TAX DUE TO GRANT OF INADMISSIBLE
DEPRECIATION ALLOWANCE-RS. 781.343 MILLION
- ix. **PARA 5.1, PAGE 51 AR 2002-03**
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ADVANCE
TAX U/S 87-RS. 117.477 MILLION
- x. **PARA 5.2 PAGE 51 AR 2002-03**
NON-LEVY OF ADDITIONAL TAX FOR NON-PAYMENT OF TAX
LIABILITY WITH RETURN (SECTION 88) RS. 36.087 MILLION
- xi. **PARA 5.3 PAGE 52 AR 2002-03**
NON-LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF
ASSESSED TAX OR PENALTY (SECTION 89) RS. 33.550 MILLION

- xii. PARA 6.1 PAGE 63 AR 2002-03
SHORT-LEVY OF TAX DUE TO MISAPPLICATION OF RATES-RS.
38.661 MILLION
- xiii. PARA 6.2 PAGE 63 AR 2002-03
NON-LEVY OF SURCHARGE-RS 22.094 MILLION
- xiv. PARA 7.1 PAGE 73 AR 2002-03
NON IMPOSITION OF PENALTY IN CONCEALMENT CASES- RS.
18.157 MILLION
- xv. PARA 7.2 PAGE 73 AR 2002-03
NON-IMPOSITION OF PENALTY FOR FAILURE TO FURNISH A
RETURN U/S 108-RS. 12.626 MILLION
- xvi. PARA 8.1 PAGE 81 AR 2002-03
NON-FILING OF WEALTH TAX RETURNS- RS 11.585 MILLION
- xvii. PARA 8.2 PAGE 81 AR 2002-03
NON-IMPOSITION OF PENALTY UNDER SECTION 18-RS. 10.141
MILLION
- xviii. PARA 8.3 PAGE 82 AR 2002-03
UNDER-VALUATION OF SHARES- RS. 2.535 MILLION
- xix. PARA 8.4 PAGE 83 AR 2002-03
NON-LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 31B(I)-
RS. 1.924 MILLION
- xx. PARA 8.5 PAGE 84 AR 2002-03
UNDER-VALUATION OF PROPERTY- RS.1.672 MILLION
- xxi. PARA 8.6 PAGE 84 AR 2002-03
WRONG ALLOWANCE OF EXEMPTIONS-RS. 0.928 MILLION
- xxii. PARA 8.7 PAGE 85 AR 2002-03
NON-LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 31BBB-
RS. 0.769 MILLION
- xxiii. PARA 8.9 PAGE 86 AR 2002-03
NON- LEVY OF ADDITIONAL WEALTH TAX UNDER SECTION 31B
(II)-RS. 0.494 MILLION
- xxiv. PARA 8.10 PAGE 87 AR 2002-03
WRONG COMPUTATION OF WEALTH TAX-RS. 0.448 MILLION

- xxv. PARA 8.12 PAGE 88 AR 2002-03
SHORT COMPUTATION OF NET WEALTH – RS. 0.400 MILLION
- xxvi. PARA 8.13 PAGE 88 AR 2002-03
NON-LEVY OF SURCHARGE ON WEALTH TAX-RS. 0.075 MILLION
- xxvii. PARA 9.1 PAGE 109 AR 2002-03
NON REALIZATION OF WORKERS WELFARE FUND- RS. 22.744
MILLION
- xxviii. PARA 1.5 PAGE 139 AR 2002-03
UNLAWFUL CLAIM OF INPUT TAX ADJUSTMENT/REFUND CREDIT
IN NEGATION TO SECTION 73 OF THE SALES TAX ACT, 1990-
RS.72.164 MILLION
- xxix. PARA 1.6 PAGE 141 AR 2002-03
INADMISSIBLE ADJUSTMENT OF INPUT TAX WITHOUT HOLDING
SALES TAX INVOICES-RS.11.932 MILLION
- xxx. PARA 1.7 PAGE 142 AR 2002-03
NON-COMPLIANCE OF ENACTED PROVISIONS REGARDING
CATEGORIZATION OF SALES TAX REGISTERED PERSONS-
RS.49.209 MILLION
- xxxi. PARA 4.2 PAGE 164 AR 2002-03
SHORT-REALIZATION OF CENTRAL EXCISE DUTY ON CLEARANCE
OF LUBRICATING OIL IN BULK – RS. 1.859 MILLION
- xxxii. PARA 4.3 PAGE 164-165 AR 2002-03
SHORT-PAYMENT OF CENTRAL EXCISE DUTY ON FRUIT JUICES-
RS. 1.051 MILLION
- xxxiii. PARA 4.5 PAGE 166 AR 2002-03
BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON
CLEARANCE OF EXCISABLE GOODS WITHIN THE PRESCRIBED
PERIOD- RS. 0.735 MILLION
- xxxiv. PARA 4.8 PAGE 168 AR 2002-03
SHORT-REALIZATION OF CENTRAL EXCISE DUTY AND SALES TAX
DUE TO UNDER-VALUATION OF METAL CONTAINERS – RS. 0.527
MILLION
- xxxv. PARA 5.1 (A) PAGE 171 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 96.704 MILLION

- xxxvi. PARA 5.1 (C) PAGE 171 AR 2002-2003
NON/ SHORT PAYMENT OF SALES TAX BY REGISTERED PERSON RS.
0.979 MILLION
- xxxvii. PARA 5.1 (D) PAGE 173 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS 0.128 MILLION
- xxxviii. PARA 5.1 (E) PAGE 173 AR 2002-2003
NON/ SHORT PAYMENT OF SALES TAX BY REGISTERED PERSON –
RS.1.916 MILLION
- xxxix. PARA 5.1 (I) PAGE 174 AR 2002-03
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 0.559 MILLION
- xl. PARA 5.3 (F) AR 2002-2003 PAGE 178-179
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX –
RS. 2.586 MILLION
- xli. PARA 5.4 (A) PAGE 181 AR 2002-03
NON-PAYMENT OF FURTHER TAX IN RESPECT OF SUPPLIES MADE
TO UNREGISTERED PERSONS – RS. 1.121 MILLION
- xlii. PARA 5.5 (B) PAGE 181 AR 2002-03
SHORT-PAYMENT OF SALES TAX OWING TO APPLICATION OF
INCORRECT RATE – RS. 0.221 MILLION
- xliii. PARA 5.6 (D) AR 2002-2003 PAGE 184
SHORT PAYMENT OF SALES TAX ON SUPPLIES BY REGISTERED
PERSON DUE TO UNDERVALUATION RS. 3.798 MILLION
- xliv. PARA 5.7 (B) AR 2002-03 PAGE 185
NON-REALIZATION OF ADDITIONAL TAX AND PENALTY ON LATE
DEPOSIT OF SALES TAX- RS. 9.101 MILLION
- xliv. PARA 5.10 (A) AR 2002-2003 PAGE 188
GRANT OF INADMISSIBLE REFUND / ADJUSTMENT OF INPUT TAX RS.
4.596 MILLION
- xlvi. PARA 5.10 (B) AR 2002-2003 PAGE 188
GRANT OF INADMISSIBLE REFUND/ ADJUSTMENT OF INPUT TAX –
RS. 9.776 MILLION

- xlvii. PARA 8.2.1 AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 197
NON-OBSERVANCE OF RULES REGARDING VERIFICATION OF
ORIGINAL CREDITS BEFORE SANCTION OF REFUND- RS. 384.869
MILLION
- xlviii. PARA 8.2.4 AR 2002-03 PAGE 199 SSR ON REFUND OF SALES TAX
REFUND OF (PROVINCIAL) SALES TAX OUT OF (FEDERAL) SALES
TAX
- xlix. PARA 8.2.5 AR 2002-2003 PAGE 200
REFUND OF SALES TAX DUE TO FBR RULING INCONSISTENT WITH
LAW RS. 21.722 MILLION
- I. PARA 8.2.6 AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 200-
201

NON-COMPLIANCE OF RULES FOR SALES TAX REFUND
- li. PARA 8.3.1 AR 2002-2003 PAGE 203
DOUBTFUL REFUND OF SALES TAX RS. 89.591 MILLION
- lii. PARA 8.3.2 AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 205
EXCESS REFUND OF SALES TAX DUE TO DIFFERENCE IN
QUANTITY OF CONSUMPTION OF RAW MATERIAL AND EXPORTED
GOODS- 29.650 MILLION
- liii. PARA 8.3.3(A) AR 2002-03 SSR ON REFUND OF SALES TAX PAGE
205-206
REFUND OF SALES TAX ON GOODS SHORT EXPORTED-RS. 7.481
MILLION
- liv. PARA 8.3.3 (B) AR 2002-03 SSR ON REFUND OF SALES TAX PAGE
206-207
REFUND OF SALES TAX ON GOODS SHORT EXPORTED-RS. 4.686
MILLION
- lv. PARA 8.3.4 AR 2002-03 PAGE 207-208
REFUND OF SALES TAX DUE TO ADJUSTMENT OF INPUT TAX
DISALLOWED UNDER LAW – RS. 4.300 MILLION
- lvi. PARA 8.3.7 AR 2002-2003 PAGE 209
REFUND OF SALES TAX AGAINST PURCHASE FROM NON FILERS RS.
2.104 MILLION

- lvii. PARA 8.3.8 AR 2002-2003 PAGE 210
NON REALIZATION OF SALES TAX AND REFUND OF TAX AGAINST
INVOICES OF NIL FILER – RS. 2.762 MILLION
- lviii. PARA 8.3.9AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 211
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PURCHASED AND THAT USED IN THE MANUFACTURE OF
EXPORTED FABRICS-RS. 1.607 MILLION
- lix. PARA 8.3.10(A),(D),(G),(H)&(I) AR 2002-03
SSR ON REFUND OF SALES TAX PAGE 211-214
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF SALES TAX-RS.
1.815 MILLION
- lx. PARA 8.3.10(B) AR 2002-2003 PAGE 211
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF CASE TAX RS.0.663
MILLION
- lxi. PARA 8.3.10 (C) AR 2002-2003 PAGE 211
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF CASE TAX RS.0.519
MILLION
- lxii. PARA 8.3.10 (E) AR 2002-2003 PAGE 213
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF CASE TAX RS.
0.432 MILLION
- lxiii. PARA 8.3.10 (F) AR 2002-2003 PAGE 213
EXCESS PAYMENT OF REFUND/ADJUSTMENT OF CASE TAX RS.
0.349 MILLION
- lxiv. PARA 8.3.11AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 214-
215
EXCESS ADJUSTMENT OF INPUT TAX DUE TO EXCESSIVE
PROCESS WASTAGE-RS. 1.042 MILLION
- lxv. PARA 8.4.1AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 218
NON REALIZATION OF PENALTY ON TRACTORS SUPPLIED FOR
PURPOSES OTHER THAN AGRICULTURE – RS. 8.338 MILLION
- lxvi. PARA 1.8 AR 2002-03 PAGE 143
INCONSISTENCIES IN DECISIONS OF ADJUDICATING AUTHORITIES
IN CASES OF VIOLATION OF SECTION 7 (1) OF THE SALES TAX
ACT, 1990

- Ixvii. PARA 4.4 AR 2002-2003 PAGE 165**
SHORT REALIZATION OF CENTRAL EXCISE DUTY DUE TO
APPLICATION OF INCORRECT RATE –RS. 1.029 MILLION
- Ixviii. PARA 4.6AR 2002-03 PAGE 166**
SHORT-REALIZATION OF CENTRAL EXCISE DUTY ON INSURANCE
PREMIUM AND LICENCE FEE- RS. 0.598 MILLION
- Ixix. PARA 4.7AR 2002-2003PAGE 167**
SHORT REALIZATION OF CENTRAL EXCISE DUTY AND SALES TAX
DUE TO SHORT ACCOUNTAL OF EXCISABLE GOODS –RS. 0.585
MILLION
- Ixx. PARA 5.1 (F) AR 2002-2003 PAGE 173**
NON/ SHORT PAYMENT OF SALES TAX BY REGISTERED PERSON –
RS. 0.494 MILLION
- Ixxi. PARA 5.1 (G) AR 2002-03 PAGE 173**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 1.691 MILLION
- Ixxii. PARA 5.1 (H) AR 2002-03 PAGE 174**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 8.405 MILLION
- Ixxiii. PARA 5.1 (J) AR 2002-03 PAGE 174**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 0.485 MILLION
- Ixxiv. PARA 5.1 (K) AR 2002-03 PAGE 175**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 0.271 MILLION
- Ixxv. PARA 5.1 (L) AR 2002-03 PAGE 175**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 1.186 MILLION
- Ixxvi. PARA 5.3 (A) AR 2002-03 PAGE 177**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT
TAX- RS. 17.489 MILLION
- Ixxvii. PARA 5.3 (C)AR 2002-2003 PAGE 177**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX-
RS.10.397 MILLION

- lxxviii. PARA 5.3 (D) AR 2002-03 PAGE 178**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 0.644 MILLION
- lxxix. PARA 5.3 (E) AR 2002-03 PAGE 178**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 3.904 MILLION
- lxxx. PARA 5.3 (G) AR 2002-2003 PAGE 179**
INADMISSIBLE ADJUSTMENT OF INPUT TAX OF RS. 0.308 MILLION
- lxxxii. PARA 5.3 (H) AR 2002-03 PAGE 179**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 0.121 MILLION
- lxxxii. PARA 5.3 (I) AR 2002-03 PAGE 179**
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 24.116 MILLION
- lxxxiii. PARA 5.5 (A) AR 2002-03 PAGE 181**
SHORT-PAYMENT OF SALES TAX OWING TO APPLICATION OF
INCORRECT RATE – RS. 2.153 MILLION
- lxxxiv. PARA 5.6 (A) AR 2002-03PAGE 182**
SHORT-PAYMENT OF SALES TAX ON SUPPLIES BY REGISTERED
PERSONS DUE TO UNDERVALUATION – RS. 3.549 MILLION
- lxxxv. PARA 5.6 (B) AR 2002-03 PAGE 182**
SHORT-PAYMENT OF SALES TAX ON SUPPLIES BY REGISTERED
PERSONS DUE TO UNDERVALUATION- RS. 2.207 MILLION
- lxxxvi. PARA 5.7 (A) AR 2002-03 PAGE 183**
NON-REALIZATION OF ADDITIONAL TAX AND PENALTY ON LATE
DEPOSIT OF SALES TAX-RS.15.087 MILLION
- lxxxvii. PARA 5.8 AR 2002-03 PAGE 186**
NON-PAYMENT OF SALES TAX ON SALE OF ASSETS BY
REGISTERED PERSONS-RS. 3.066 MILLION
- lxxxviii. PARA 5.9 (B) AR 2002-03 PAGE 186**
GRANT OF MULTIPLE REFUNDS ON THE BASIS OF FORGED
PHOTO COPIES OF BANK DRAFTS – RS. 2.061 MILLION
- lxxxix. PARA 8.2.3 AR 2002-2003 PAGE 198**
NON OBSERVANCE OF RULE 9(5) OF SALES TAX REFUND RULE 2002

- xc. PARA 8.2.7 AR 2002-2003 PAGE 201
NON COMPLIANCE OF RULE REGARDING POST REFUND AUDIT
- xc. PARA 8.2.8AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 201-
202VIOLATION OF SECTION 7(I) OF THE SALES TAX ACT, 1990
- xcii. PARA 8.2.9 AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 201-
202NON PRODUCTION OF RECORD
- xciii. PARA 8.3.5AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 208-
209IRREGULAR REFUND OF SALES TAX- RS. 3.071 MILLION
- xciv. PARA 8.3.6AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 209
OVERPAYMENT OF REFUND OF SALES TAX DUE TO OVER-
INVOICING RS. 2.395 MILLION
- xcv. PARA 8.3.12AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 215-
216
REFUND OF SALES TAX AGAINST EXPORTS OF IRRELEVANT
PERIOD –RS. 39.961 MILLION
- xcvi. PARA 8.3.13 AR 2002-03 SSR ON REFUND OF SALES TAX PAGE
216-217
IRREGULAR PAYMENT OF REFUND OF SALES TAX UNDER
SECTION 66 OF THE SALES TAX ACT, 1990 - RS. 13.374 MILLION
- xcvii. PARA 8.3.14 AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 217
NON ACCOUNTAL OF BLADDERS IMPORTED FREE OF CUSTOMS
DUES FOR MANUFACTURE OF FOOTBALLS FOR EXPORT
- xcviii. PARA 8.4.2 AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 218-
219
NON REALIZATION OF PENALTY ON CONTRAVENTION OF
VARIOUS PROVISIONS OF THE SALES TAX ACT, 1990-RS. 0.497
MILLION
- xcix. PARA 8.4.3 AR 2002-03 SSR ON REFUND OF SALES TAX PAGE 219
EXCESS REFUND DUE TO NON-ACCOUNTAL OF FABRICS-RS. 1.633
MILLION
- c. PARA 8.4.4(A) AR 2002-03 SSR ON REFUND OF SALES TAX PAGE
219
NON REALIZATION OF SALES TAX AND ADDITIONAL TAX-RS. 0.632
MILLION

- ci. PARA 8.4.4(B) AR 2002-03 SSR ON REFUND OF SALES TAX
NON REALIZATION OF PENALTY AND ADDITIONAL TAX-RS. 0.601
MILLION

PAC DIRECTIVE

The Committee directed the PAO to examine the above 101 paras at DAC level and referred to the Monitoring and Implementation Committee of PAC for follow up.

PARAS RECOMMENDED FOR SETTLEMENT BY DAC

15. i. PARA 1.15 AR 2002-03 PAGE 19
EXCESS DETERMINATION OF REFUND – RS. 0.830 MILLION
- ii. PARA 2.1 AR 2002-03 PAGE 149
EVASION OF SALES TAX BY TEXTILE MILLS- RS. 770.304 MILLION
- iii. PARA 4.1 AR 2002-03 PAGE 163
SHORT-REALIZATION OF CENTRAL EXCISE DUTY DUE TO
UNDERVALUATION OF UN-MANUFACTURED TOBACCO – RS.42.702
MILLION
- iv. PARA 5.3 (B) AR 2002-03 PAGE 177
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 1.391 MILLION
- v. PARA 5.3 (J) AR 2002-03 PAGE 179
NON/SHORT PAYMENT OF SALES TAX BY REGISTERED PERSONS-
RS. 0.102 MILLION
- vi. PARA 5.11 AR 2002-03 PAGE 189
NON-LEVY OF PENALTY FOR LATE FILING AND NON FILING OF
RETURNS –RS. 0.164 MILLION
- vii. AUDIT PARA-1.2(3)(4) AUDIT REPORT 2002-03 DRAFT PARAS 9003
& 8721-CUS PAGE-136
NON-ADJUDICATION OF CONTRAVENTION CASES WITHIN THE
TIME PERIOD PRESCRIBED UNDER LAW – RS. 50.850 MILLION
- viii. AUDIT PARA-1.10 AUDIT REPORT 2002-03
DRAFT PARAS 8677, 8679, 8856, 8784, 8785, 8716, 8718, 8719, 8722,
8950, 8951, 8952, 8984, 8985 & 8986-CUS PAGE-145
BLOCKADE OF GOVERNMENT REVENUE DUE TO DELAY IN
DISPOSAL OF CONFISCATED GOODS – RS. 24.818 MILLION

- ix. AUDIT PARA-1.9 AUDIT REPORT 2002-03
DRAFT PARAS 8818, 8733 & 8946-CUS AND 2145 & 2146-CD/K
PAGE-144
BLOCKADE OF THE GOVERNMENT REVENUE DUE TO VIOLATION
OF ENACTED PROVISIONS REGARDING WAREHOUSING OF
GOODS - RS. 17.489 MILLION

PAC DIRECTIVE

The Committee settled the above paras on the recommendation of DAC.

M/O SCIENCE AND TECHNOLOGY

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Science and Technology was examined by the PAC on 21st July, 2016.

- 03 grants and 03 audit paras were presented by the Audit Department which were examined by the Committee and were settled.

M/O SCIENCE AND TECHNOLOGY

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 21st July, 2016 while examining Audit Reports/Special Audit Reports for the year 2002-03 pertaining to M/o Science & Technology are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. i) **GRANT NO.107 – SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION**

AGPR pointed out that the grant closed with a saving of Rs. 43,458,409 which works out to 43.91 percent of the total grant. An amount of Rs.40,429,887 (40.85%) was surrendered leaving net saving of Rs.3,028,522 (3.06%).

ii) **GRANT NO.108 – OTHER EXPENDITURE OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION**

AGPR pointed out that the grant closed with a saving of Rs. 37,230,000 which works out to 4.80 percent of the total grant. A supplementary grant of Rs.12,000,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

iii) **GRANT NO.145 – DEVELOPMENT EXPENDITURE OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION**

AGPR pointed out that the grant closed with a saving of Rs. 1,690,242,420 which works out to 65.00 percent of the total grant. An amount of Rs.1,681,426,686 was surrendered leaving net saving of Rs.8,815,734 (0.34%).

PAC DIRECTIVE

The Committee settled the above three grants.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2002-03 (PREPARED BY D.G COMMERCIAL AUDIT & EVALUATION, LAHORE)

PAKISTAN SCIENCE FOUNDATION

2. i) **PARANO.208-ARPSE-2002-03
AUDIT COMMENTS**

ii) PARANO.209&209.1-ARPSE-2002-03
AUDIT COMMENTS

iii) PARANO.209.2-ARPSE-2002-03
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled above three para on the recommendation by DAC.

SENATE SECRETARIAT

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Senate Secretariat was examined by the PAC on 14th September, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee and was settled.

SENATE SECRETARIAT

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Senate Secretariat are given below: -

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. **GRANT NO. 96-THE SENATE**

AGPR pointed out that in charged section the grant closed with a saving of Rs. 20,831,574 which was 27.74 percent of the total grant. An amount of Rs.18,945,000 (25.23%) was surrendered leaving net saving of Rs.1,886,574 (2.51%). AGPR also pointed out that in other then charged section the grant closed with a saving of Rs. 24,086,520 which was 39.90% of the total grant. An amount of Rs. 20,072,000 (33.25%) was surrendered leaving net saving of Rs. 4,014,520 (6.65%).

PAC DIRECTIVE

The Committee settled the above grant.

M/O STATES & FRONTIER REGIONS

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o States and Frontiers Regions was examined by the PAC on 14th September, 2017.

- 04 grants were presented by the Audit Department which were examined and settled.

M/O STATES AND FRONTIER REGIONS

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to M/o States and Frontier Regions are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. **GRANT NO. 88-KASHMIR AFFAIRS & NORTHERN AREAS AND STATES AND FRONTIER REGIONS DIVISION**

The AGPR pointed out that the grant close with saving of Rs.24,609,824 which was 18.25 percent of the total grant. An amount of Rs. 22,000,000 (16.32%) was surrendered leaving net saving of Rs. 2,609,824 (1.93%).

PAC DIRECTIVE

The Committee settled the grant.

2. i) **GRANT NO. 82-KASHMIR AFFAIRS & NORTHERN AREAS AND STATES AND FRONTIER REGIONS DIVISION**

AGPR pointed out that the grant closed with a excess of Rs. 5,062.

ii) **GRANT NO. 83-FRONTIER REGIONS**

AGPR pointed out that the grant closed with a excess of Rs. 53,085,881 which was 5.13 percent of the total grant. An amount of Rs.5,728,358 (0.55%) was surrendered increasing net excess to Rs.58,814,239 (5.68%).

iii) **GRANT NO. 86-MAINTENANCE ALLOWANCES TO EX-RULERS**

The grant closed with an excess of Rs. 34,700 which works out to 0.92 percent of the total grant.

PAC DIRECTIVE

The Committee recommended the above three grants for regularization.

M/O STATISTICS

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Statistics was examined by the PAC on 18th January, 2017.

- 02 grants were presented by the Audit Department which were examined by the Committee. These 02 grants were settled.

M/O STATISTICS

ACTIONABLE POINTS

Actionable Points rising from the discussion of meeting of PAC held on 18th January, 2017 while examining Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Statistics Division are given below:-

APPROPRIATION ACCOUNTS CIVIL VOLUME I – 2002- 03

1. i) **GRANT NO.50- STATISTICS DIVISION**

The AGPR pointed out that the grant close with saving of Rs.42,371,441 which worked out to 11.46 percent of the total grant. An amount of Rs. 39,474,200 (10.68%) was surrendered leaving net saving of Rs. 2,897,241 (0.78%).

ii) **GRANT NO.130-DEVELOPMENT EXPENDITURE OF STATISTICS DIVISION**

The AGPR pointed out that the grant closed with a saving of Rs.94,219,242 which worked out to 51.48 percent of the total grant. An amount of Rs. 87,373,732 (47.74%) was surrendered leaving into an excess of Rs. 6,845,510 (3.74%).

PAC DIRECTIVE

The Committee settled the above two grants.

WAFAQI MOHTASIB

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the Wafaqi Mohtasib Secretariat was examined by the PAC on 14th September, 2017.

- 01 grant was presented by the Audit Department which was examined by the Committee. This 01 grant was settled.

WAFAQI MOHTASIB

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 14th September, 2017 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2002-03 pertaining to Wafaqi Mohtasib are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. **WAFAQI MOHTASIB (CHARGED)**

AGPR pointed out that the grant closed with a saving of Rs. 24,653,013 which was 6.23 percent of the total grant. An amount of Rs.54,898,000 (13.87%) was surrendered resulting into an excess of Rs.30m244m987 (7.64%).

PAC DIRECTIVE

The Committee settled the above grant.

M/O WATER AND POWER

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Water and Power was examined by the PAC on 4th February, 2015, 1st November, 2017 and 28th February, 2018.

- 03 grants and 79 audit paras were presented by the Audit Department which were examined by the Committee. 03 grants and 43 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.
- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O WATER AND POWER

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 4th February 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the years 2002-03 pertaining to Ministry of Water and Power are given below:-

APPROPRIATION ACCOUNTS (CIVIL VOL-II) 2002-03

1. GRANT NO.109- WATER AND POWER DIVISION

The AGPR pointed out that the grant closed with excess of Rs. 190,470 which works out to 0.18% of the total grant. An amount of Rs. 17,000 (0.2%) was surrendered increasing net excess to Rs. 207,470 (0.20%). A supplementary grant of Rs.950,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that this was due to induction of officers with higher pay rates and the relive allowance was granted for which no additional funds were provided. He further told that discretionary grant was not utilized to full extent. The PAO requested to regularize the grant because the excess was 0.7% of the total grant which is nominal. The excess occurred due to grant of 15% special allowance, medical charges, incurred on the cardiac treatment of an officer which reduced allocation for rental payment .He also told that the supplementary grant of Rs.5.00 million could not be utilized due to non-opening of PLA by the technical committee on water resources.

PAC DIRECTIVE

The Committee recommended the grant for regularization.

2. GRANT NO.146- WATER AND POWER DIVISION

The AGPR pointed out that the grant was closed with saving of Rs. 2,958,713,910 which works out to 35.54% of the total grant. An amount of Rs.2,657,119,000(31.92%)was surrendered leaving net saving of Rs.301,594,910(3.62%).A supplementary grant of Rs.82,496,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. The department pointed out less accountal of surrender of Rs. 204,000,000.

The PAO explained that the Provincial Government could not provide utilization accounts and release request in time.

PAC DIRECTIVE

The Committee settled the grant.

3. **GRANT NO.159- CAPITAL OUTLAY ON IRRIGATION AND ELECTRICITY** The grant was fully utilized with zero saving/excess.

PAC DIRECTIVE

The Committee settled the grant.

AUDIT REPORT WAPDA / PEPCO 2002-03

4. **PARA NO.1 (WPPO), PAGE NO.10-11, AUDIT REPORT (2002-03)**
LOSS OF RS.1,248 MILLION DUE TO INTEREST ON LATE PAYMENT TO IPPs

Audit point that WAPDA has paid an interest of Rs 1,248 million up to June 2003 on accounts of delay in payments to IPPs. The reason for delay in payment was said to be the non-availability of funds.

Audit stated that the management could not control their system of losses and other expenses, which had disturbed their liquidity position resulting in late payments to IPPs. The para was discussed in DAC meeting on 19.8.2004. DAC directed the management to justify the position. The audit apprised the committee that WAPDA has also paid interest to IPPs due to delay in payments.

PAO informed the committee that the delay in payment to IPPs was due to non-availability of funds with WAPDA. WAPDA had been facing liquidity problems since induction of IPPs. It was due to purchase of electricity from the IPPs at a high rate coupled with a front-loaded tariff. IPPs financial burden was beyond the then paying capacity of WAPDA. It was not possible to avoid delay in payment to IPPs and consequent payment of interest charges. During the last few years, WAPDA had been doing its best to enhance the level of recovery of bills from the public sector entities. WAPDA took up this issue at various levels including the Chief Executive of Pakistan, Federal Finance Minister and M/o Water and Power to expedite payment by all the Public Sector entities and eventually succeeded in appreciable recovery. WAPDA's cash position has however, been improved since July 2003 and payments are now being made to IPPs regularly.

The PAO apprised the committee that DAC in its two meetings held on 20th June 2014 and 15th December 2014 had recommended the para for settlement.

PAC DIRECTIVE

The Committee directed the Audit to conduct the Audit of IPPs and submit facts and figure to PAC.

5. **PARA NO.2 (WPPO) PAGE NO.11-12 AUDIT REPORT (2002-03)**
LOSS TO THE AUTHORITY WORTH RS 12.476 MILLIONS DUE TO WRONG
APPLICATION OF EXCHANGE RATES

Audit pointed out that according to the decision of the Economic Coordination Committee (ECC) of Cabinet "The exchange rate to be used with effect from 29th May 1999 onwards for Indexation of Tariff payment under the Power Purchase Agreement (PPA) with the Independent Power Producers (IPPs) should be the minimum of the TT & OD (Telegraphic Transfer and Overdraft) selling rates of eight Banks, namely ABN Amor, Bank of America, City Bank Ltd, NBP, ANZ Bank, Standard Chartered Bank and United Bank Ltd. Scrutiny of Invoices of payment made to IPPs revealed that WPPO was not complying with the above decision in its true spirit for payment of Energy Purchase Price and Capacity Purchase Price to Altern Energy, Liberty, Habibullah, Saba, Sepcol and KAPCO. The above mentioned IPPs were using closing Exchange rates issued by the eight banks on last day of the month instead of minimum rate. Non adherence of this practice has resulted in overpayment to the IPPs to the tune of Rs 12.476 Million. Audit was of the view that the Government decision through ECC was binding and some of the IPPs are implementing it.

PAO informed that according to the Power Purchase Agreements of IPPs under the 1994 Power Policy, paragraph 12.4 of schedule 6 dealt with the issue of the source of Exchange Rate and stated that the source for exchange rate for US dollar against the Rupee shall be the quotation by the state Bank of Pakistan in the most recently published Exchange Rates Bulletin issued by the Foreign Exchange Rates Committee of the Authorized Dealers Spot TT&OD Selling Rates. He further added that the philosophy behind allowing the adjustment of payments to IPPs under various components of Tariff was to encourage the investors making investment in Pakistan in Power. Power Purchase Agreement was implemented satisfactorily until 1999.

The PAO further added that issue was deliberated at length among WAPDA, IPPs, PPIB, Ministry of Water & Power and Ministry of Finance. The Ministry of Finance was of the view that TT & OD selling rates of NBP may be used following the discontinuation of the practice by SBP. On the other hand, WAPDA proposed the use of the exchange rate of minimum of 08 banks. WAPDA's proposal was adopted in the summary moved by the Ministry of Water & Power for ECC and finally approved. The PAO told that it was rightly assumed that the ECC's decision, while adopting WAPDA's proposal had left the detailed modalities of its application to the two parties. i.e WAPDA & the IPPs. Therefore the ECC's decision is not binding on the IPPs. Since WAPDA's proposal and the ECC's decision reduced the exchange rates benefits. The IPPs approached for amendment in the PPA showed their serious reservation and even issued breach notices to Govt. of Pakistan.

The PAO was of the view that WPPA has applied the said ECC decision in its letter and spirit despite considerable resistance by the IPPs who actually suffered loss on account of the application of the minimum of 08 banks exchange rate.

The PAO stressed that payments were made to all IPPs in accordance with the amendments made in the Power Purchase Agreements (PPAs) of all these IPPs duly approved by Government of Pakistan. Audit was not agreed by the justification given by the PAO.

PAC DIRECTIVE

The committee directed the amount paid to the IPPs was in violation of the ECC decision, therefore, the amount must be recovered there from.

6. **PARA NO.2 (FESCO) PAGE NO.24 AUDIT REPORT (2002-03)**
WASTEFUL EXPENDITURE AMOUNTING TO RS. 119.630 MILLION DUE TO
NON COMPLETION OF VARIOUS WORKS

Audit pointed out that wasteful amounting to Rs.119.630 Million due to Non-completion of various works in FESCO Faisalabad, a number of works were taken up in construction circle during the period 1987 to 2002. These works on which an expenditure of Rs 119.630 million had been incurred on account of material, had not been completed till June 2002. Thus the investment to the stated extent had gone waste.

PAO informed the committee that 364 works out of 442 have been completed and record of that was got verified from audit. The remaining 78 works for an amount of Rs.28.927 Million has been capitalized and record is under process for verification.

PAC DIRECTIVE

The committee settled the para subject to verification of record by the audit.

7. **PARA NO.3 (FESCO) PAGE NO.24-25, AUDIT REPORT (2002-03)**
NON-FINALIZATION OF PENDING INSURANCE CLAIMS WORTH RS 9.542
MILLION

Audited presented the para stating that in FESCO Faisalabad, insurance claims for damaged grid station equipment's in GSO Circle, were lodged with Director Insurance WAPDA Lahore. These insurance claims were pending for the last three to eight years, resulting in non-realization of Rs 9.542 million.

The PAO told that all insurance claims have been finalized/settled by Director (Insurance) WAPDA Lahore. He also intimated that on the basis of verification of

relevant record produced to Audit, an amount of Rs.1.992 Million has been verified by the audit and the balance amount Rs.7.620 Million is under process with Audit for verification within one week.

PAC DIRECTIVE

The committee settled the para subject to verification of record by the audit.

8. **PARA NO.4 (FESCO) PAGE NO.25, AUDIT REPORT (2002-03)**
NON REALIZATION OF RS.2.707 MILLION FROM THE CONSUMERS ON
ACCOUNT OF SECURITY DEPOSITS

Audit pointed out that in different operation circles of FESCO Faisalabad, sanctioned loads were extended illegally by the consumers. Under the provisions of Abridged Conditions for Connection, in the event of any addition or alteration made in the existing installation without approval of the competent authority, the supply of said consumer was required to be disconnected without any prior notice. Neither the unauthorized extended loads had been regularized nor removed. Irregular extension in loads was regularized. An amount of Rs 2.817 million on account of security deposits would have been received. Besides this, sanctioned load of one of the consumers had been extended but the security of Rs 0.430 million was less recovered.

The PAO stated that due to strong efforts an amount of 0.211million out of balance recoverable amount 0.459 million has been recovered. He promised to provide its record to the Audit for verification.

PAC DIRECTIVE

The committee settled the para subject to verification of record by the audit.

9. **PARA NO.5 (GEPCO) PAGE NO.31-32, AUDIT REPORT (2002-03)**
WASTEFUL EXPENDITURE OF RS.4.119 MILLION ON CONSTRUCTION OF
AN 11 KV EXPRESS FEEDER

Audit presented the para stating that in GEPCO an express 11 KV feeder was constructed to supply power to Dinga City from 132 KV Kharian Grid Station. This feeder could not be energized due to construction of 132 KV new Grid Station at Dinga City. Meanwhile costly material of 11 KV Express Feeder was stolen. The valuable asset was neither reflected in accounts of the company nor was shown to be owned by any field formation. Thus the expenditure of Rs. 4.119 million incurred on construction thereof had gone waste.

It was brought in the notice of Committee that DAC in its meeting held on 19th August,2004 directed to investigate the case of stolen materiel.

The PAO informed that matter was probed in some conductors /officials were found guilty. FIRs were lodged and recoveries were imposed upon the officials held responsible. He further told that Rs. 0.034 million has been recovered from the official at guilty, and record has been produced to Audit and recovery of Rs. 0.176 million and Rs. 0.101 million was imposed on two officers at fault but recovery could not be insured due to the reasons that both recovery cases are subjudice in the court. Rs. 0.056 million is still under investigation with the formation concerned.

PAC DIRECTIVE

The Committee directed the PAO to ask the defaulters to deposit the outstanding amount. The amount pertaining to GEPCO is settled and part of para which was relating to other formation was pended.

10. **PARA NO.1 (HESCO) PAGE NO.37-38, AUDIT REPORT (2002-03)**
LOSS OF RS 627.606 MILLION DUE TO EXCESSIVE LINE LOSSES

Audit pointed out that in HESCO distribution losses for the year 2001-02 were 33.41% against the fixed target of 30.40%. The percentage of loss over and above the target involved monetary loss of Rs 627.606 million. (5,590 million x 3.01/100 x 3.73).

The PAO presented a long detail of reasons of losses including theft, law and order situation and technical faults. He also explained the measures/steps taken by the department to reduce the losses. He further added that losses have been reasonable reduced due to serious efforts. Besides, above study of losses has been assigned to MS Power Planner International, Lahore which is awaited.

PAC DIRECTIVE

The Committee pended the para with the direction to provide a study report in next meeting.

11. **PARA NO.1 (IESCO) PAGE NO.42, AUDIT REPORT (2002-03)**
BLOCKAGE OF AUTHORITY'S FUNDS TO THE TUNE OF RS.117.316
MILLION DUE TO INVENTORY MIS-MANAGEMENT

Audit pointed out that in IESCO Islamabad electrical material valuing Rs 117.316 million procured during the period 1985-99 was lying in different Regional Stores as obsolete & slow moving items. These items included L.T. PVC (Cable) and street light poles amounting to Rs 83.63 million & Rs 17.27 million respectively. This position was indicative of the fact that the procurement of the material in question was made un-necessarily without estimating the future requirements and caused blockage of Company's funds.

The PAO stated that the material worth Rs. 95.631 million had been utilized and the remaining material amounting to Rs. 21.785 million was lying in store which had already been dealt in Draft Para No. 1198 of Audit Report 2005-06 and was also discussed by the PAC.

The Audit requested the committee to direct the management to produce record of material utilized and evidence of duplication.

PAC DIRECTIVE

The Committee directed the PAO to provide the record of material utilized and evidence of duplication and settled the para subject to verification of record by the Audit.

12. **PARA NO.2 (IESCO) AUDIT REPORT (2002-03)PAGE NO.42-43**
NON-REGULARIZATION OF ILLEGALLY EXTENDED LOADS RESULTING INTO NON-RECOVERY OF RS. 15.750 MILLION ON ACCOUNT OF SECURITY DEPOSITS

Audit stated that in IESCO Islamabad, various industrial consumers extended their loads beyond sanctioned loads illegally. Under the provisions of Abridged Conditions for Connection, in the event of any addition or alteration made in the existing installation without approval of the competent authority, the supply of the said consumers was required to be disconnected without any prior notice. The field formations neither disconnected nor removed/regularized the extended loads. Had the extended loads been regularized, an additional amount of Rs 17.775 million would have been realized.

The PAO informed that in all cases, regularization actions (Recovery effect, load found limit) have been taken. The action in the cases amounting to Rs. 1.153 million is pending. The record regarding the pending amount will be provided to Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit.

13. **PARA NO.1 (PESCO) PAGE NO.54, AUDIT REPORT (2002-03)**
LOSS OF RS.678.338 MILLION ON ACCOUNT OF EXCESSIVE DISTRIBUTION LOSSES AGAINST THE FIXED TARGET

Audit pointed out that in PESCO Peshawar, during 2001-02 distribution losses were recorded 23% as against fixed target of 21%. Management could not achieve the target in spite of lowering the percentage losses by means of negative losses of 70 independent industrial and Government feeders with average negative losses of 22.46%. Distribution losses at 219 out of 504 feeders

in the settled areas ranged 31% to 90%. The overall excessive losses by 2% over and above fixed target resulted in a loss of Rs 678.338 million (9093 x 2% x 3.73) to the Company.

The PAO explained that these losses are due to theft and law and order situation. He also stated that detail of steps/efforts to reduce the losses. He added that the losses have been reduced as compared to previous years.

DAC in its meeting held on 15th December 2014 directed the management to continue efforts for reduction of losses and bringing them within the fixed target by NEPRA. DAC further directed the management to make year wise list of target versus actual loss for the last ten years and get the position stated verified by Audit.

PAC DIRECTIVE

The Committee clubbed the para with para no.1 (HESCO).

14. **PARA NO.2 (PESCO) PAGE NO.54-55, AUDIT REPORT (2002-03)**
LOSS OF RS.1.328 MILLION DUE TO NON-IMPLEMENTATION OF
EQUIPMENT REMOVAL ORDER (ERO) CEASING THE RIGHT TO RECOVER
THE DIFFERENTIAL COST OF SUBSTATION AT THE TIME OF RCOs
(RECONNECTION ORDERS)

Audit pointed out that in PESCO Peshawar, eight consumers were reconnected under the incentive package scheme notified in 08/2000. The disconnection period of all the consumers was more than one year but the equipment was not removed at the time of disconnection. Under the provision of incentive package, the differential cost of material was to be charged from the consumers applying for reconnection within five years of disconnection and credit was to be afforded only if the cost of removed material was originally born by the consumers. The right to recover the differential cost of Rs 1.328 Million at the time of reconnection was ceased due to non-implementation of EROs.

The PAO explained that due to law and order situation of the area, total material could not be removed at the time of disconnection. Subsequently, the consumers applied for reconnection under RCO policy and after recovery of an amount of Rs. 2.29 million, the connections were restored. The amount recovered from the consumers was more than the amount pointed out by Audit. DAC directed the management to get the record in support of the position verified by Audit within one week.

PAC DIRECTIVE

The Committee directed the PAO to provide the record to Audit for verification and pended the para.

15. **PARA NO.3 (PESCO) PAGE NO.55-56, AUDIT REPORT (2002-03)**
LOSS OF RS.3.921 MILLION ON ACCOUNT OF ILLEGAL USE OF POWER
DUE TO NON-REMOVAL OF ELECTRICAL EQUIPMENT

Audit apprised the Committee that in PESCO Peshawar, at the time of implementation of Equipment Removal Order (ERO) in June 2000 against an industrial consumer under Tariff B-2, 400 KVA transformer was not removed from site. According to Deputy Manager (OP) Nowshera, memo dated September 21, 2002 the consumer used the said equipment for domestic purpose by extending LT Line as the area was plotted for Housing Society. This resulted in a loss of Rs 3.921 million. The matter was reported to the Management in August 2003, it was intimated that illegal utilization of 400 KVA Transformer by consumer would be got investigated. 400 KVA Transformer was removed and returned to store on 03.04.2003. The management was required to investigate loss on account of illegal installation of LT lines and use of energy for 27 months. Audit insisted to give comprehensive reply along with documentary evidences.

PAO informed that an inquiry had been conducted on the issue. According to the findings of the inquiry committee the set of transformer was removed and returned back in the store.

The audit stressed to inquire /justify that why undo favour for 27 months was extended to the consumer.

PAC DIRECTIVE

The Committee directed the PAO to hold inquiry by fixing responsibility and take action and report to PAC in the next meeting.

16. **PARA NO.4 (PESCO) PAGE NO.56, AUDIT REPORT (2002-03)**
DOUBTFUL CONSUMPTION OF MATERIAL TO THE TUNE OF RS.19.522
MILLION

Audit pointed out that in PESCO Peshawar, material for bifurcation/rehabilitation of various 11 KV feeders was drawn and shown installed as per completion reports. The Site Verification Reports of Planning Directorate pointed out certain short installation of material worth Rs 19.522 million on these works, which led to doubtful consumption to this extent.

The PAO replied that all the work under observation has been completed and only a work to the tune of Rs.5.212 million is pending. He told that disciplinary action was taken against the responsible and the matter is subjudice in the court.

PAC DIRECTIVE

The Committee pended the para till next meeting.

17. **PARA NO.5 (PESCO) PAGE NO.56-57 AUDIT REPORT (2002-03)**
RECOVERABLE AMOUNT OF RS 9.250 MILLION FROM THE CONTRACTOR

Audit pointed out that in PESCO Peshawar, material valuing Rs 7.843 million was drawn by a contractor in 1994-95 against 11 out of 14 work orders issued under OECF loan. Contractor also received payment of Rs 1.407 million in November 1998 which was made by processing the bills without approval of the P.D concerned. The works were not completed. The Inquiry Committee established the irregularity and recommended for taking suitable action for recovery of payments made or getting the left over work completed from the contractor as well as black listing the contractor. Disciplinary action against two Accounts Assistants was recommended while the other officers/officials involved were spared. Recommendations of the Inquiry Committee were confined to irregular receipt of payment, but it was silent about recovery of cost of material viz. Rs 7.843 million drawn by contractor. No action for the recovery of Rs 9.250 million on account of cost of material drawn and irregular payment received by contractor along with disciplinary action against all the persons involved was taken.

The PAO apprised the committee that following actions has been taken in this regard:-

- M/S Gulzada & Co, has already been black listed.
- Recovery suit was under trial in the court of Sr: Civil Judge Peshawar which was shifted to Civil Judge Nowshera.
- Action against two Account Assistants has been taken.

PAC DIRECTIVE

The Committee directed the PAO to complete the inquiry, fix responsibility, take action and submit report to the PAC in the next meeting.

18. **PARA NO.6 (PESCO) PAGE NO.57-58 AUDIT REPORT (2002-03)**
NON-CAPITALIZATION OF WORKS OF 11KV FEEDERS EXECUTED WITH AN EXCESS EXPENDITURE OF RS 73.723 MILLION

Audit pointed out that in PESCO, 39 works of 11 KV feeders sanctioned with an estimated cost Rs 104.024 million during the period 1992-98, were executed with an expenditure of Rs 177.747 million. The expenditure on these works was incurred till 1998 thereby resulting into excess expenditure of Rs 73.723 million beyond the sanctioned estimates. Completion reports for capitalization/transfer of these works to operating fixed assets had not been prepared and the same were appearing as works in progress. Moreover, handing/taking over of the works showing the line inventory were not finalized, in the absence of which, the material installed at sites against that drawn from store could not be ascertained.

Non-capitalization of the works and the excess expenditure to the extent of Rs 73.723 million indicated mismanagement of material/funds.

The PAO informed the committee that out of the 39 feeders, work at 33 feeders had been completed and handed over to concerned operation divisions. In this regard a joint verification report was made and inquiry was also conducted. Disciplinary proceedings were initiated but in some cases, inquiries are still pending.

PAC DIRECTIVE

The Committee directed the PAO to look into the matter and submit a comprehensive report in the next meeting.

**19. PARA NO.8 (PESCO) PAGE NO.58-59 AUDIT REPORT (2002-03)
UN-LAWFUL PURCHASE OF UN-REGISTERED VEHICLES AT A COST OF
RS.2.695 MILLION**

Audit pointed out that in PESCO Peshawar, six un-registered vehicles were purchased at a cost of Rs 2.695 million from the bargain centers of FATA areas. The purchase of un-registered vehicles is repugnant to Custom Act 1960 (Para 8 section 156 Ch. XVII) and these are liable to confiscation. The purchase of un-registered vehicles for Rs 2.695 million as un-lawful unless it carries the approval of Government of Pakistan (CBR).

The PAO informed that these vehicles were purchased for use in FATA areas. In these areas non-custom paid vehicles are already in use. CBR has exempted Tribal areas as well as SWAT and Dir districts. The decision made for whole area is to be applicable also to PESCO in that area. This purchase was made on the direction of chairman WAPDA.

PAC DIRECTIVE

The Committee directed the PAO to hold an inquiry, fix responsibility, take action and report in the next meeting.

**20. PARA NO.10 (PESCO) PAGE NO.60, AUDIT REPORT (2002-03)
LOSS OF RS.22.07 MILLION DUE TO WRONG APPLICATION OF TARIFF**

Audit pointed out that in PESCO Peshawar, the whole load for electricity connections of P.T.V N.B.P, State Bank and Pearl Continental hotel was sanctioned under industrial and Bulk Supply tariff, whereas according to general supply Tariff A-2, the light load of these consumers was required to be charged under commercial tariff and for their motive load appropriate industrial tariff was required to be applied. Wrong application of tariff resulted in a loss of Rs 22.07 million.

The PAO replied that the consumer lodged case in the court against PESCO which was decided in favour of consumer, where as PESCO has now lodge appeal in Peshawar High Court Peshawar, but date is not announced by the honorable court till to date. He told that recovery from National Bank of Pakistan, State Bank of Pakistan and PTV is in progress.

PAC DIRECTIVE

The Committee deferred the para and directed the PAO to resolve the issue at DAC level and report to PAC.

21. **PARA NO.11 (PESCO) PAGE NO.61 AUDIT REPORT (2002-03)**
LESS RECOVERY OF RS.115.712 MILLION DUE TO NON-REGULARIZATION
OF EXTENSION OF LOAD AND LESS ASSESSMENT OF ILLEGAL
CONNECTIONS

Audit pointed out that in PESCO Peshawar, the Surveillance Team during its survey of Industrial Connections in FATA pointed out that 62 consumers had extended their load un-authorizedly and 11 connections were running illegally. The supply of said consumers was required to be disconnected. The field formations neither disconnected nor regularized the extended loads which resulted in less recovery of Rs 29.717 million on account of security deposits and fixed charges. A sum of Rs 85.995 million was also less recovered in case of 32 connections due to less assessment, aggregating loss of Rs 115.712 million.

The PAO replied that amount relating to tribal areas has been recovered and record will be provided to Audit for verification.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit.

22. **PARA NO.12 (PESCO) PAGE NO.61-62 AUDIT REPORT (2002-03)**
LOSS OF RS.15.303 MILLION DUE TO WRONG APPLICATION OF TARIFF

Audit presented the para stating that in PESCO, Peshawar, the whole load of a government sponsored hospital was sanctioned under industrial Tariff B-3 since September 1996 which was required to be charged under Tariff A-1. Resultantly Rs 12.43 million were less recovered on account of wrong application of Tariff. Similarly government offices and guest houses were wrongly charged under Tariff A-1 instead of applicable Tariff A-2 which entailed short recovery of Rs 2.327 million. In another case, a connection in the name of 'Tatara Park' was sanctioned under Tariff B-1 with 12 KW load whereas the connected load was 80 KW comprising 9 KW light load and 71 KW motive load. So Tariff B-2 was required to be charged to 71 KW load and A-2 to light load. Due to wrong application/sanction of Tariff, an amount of Rs 0.546 million was less recovered.

Thus the Company faced a loss of Rs 15.303 million due to wrong application of Tariff.

The said para was developed from advance paras AP2040,2041,2042,2063 and 2064.

PAO replied that amounts of Rs.0.713 million and Rs. 255,810/- had been verified by the Audit. As regard AP2040,2041 and 2042 the tariff was charged rightly.

Audit stressed to provide the record in sport of load regularization for verification.

PAC DIRECTIVE

The Committee directed the PAO to resolve the issue at DAC level and report to PAC.

ANNEXURE SERIAL NO. 52 PAGE NO.10 NON SUBMISSION OF ACCOUNTS

23. i. **PARA-210 PAGE-248 ARPSE-2002-03
INADMISSIBLE PAYMENT OF ADHOC RELIEF AMOUNTING TO RS
14.451 MILLION**
- ii. **PARA NO.1 (GENCO-II) PAGE NO.17 AUDIT REPORT (2002-03)
LOSS OF RS.178.130 MILLION ON ACCOUNT OF DAMAGE OF GAS
TURBINE**
- iii. **PARA NO.1 (FESCO) PAGE NO.23 AUDIT REPORT (2002-03)
RECURRING LOSS OF RS 335.270 MILLION DUE TO INCENTIVE
THROUGH TOD TARIFF**
- iv. **PARA NO.1 (GEPCO)PAGE NO.28-29 AUDIT REPORT (2002-03)
WASTEFUL EXPENDITURE OF RS.23.467 MILLION ON INCOMPLETE
WORKS**
- v. **PARA NO.2 (GEPCO) PAGE NO.29 AUDIT REPORT (2002-03)
LOSS OF RS.22.822 MILLION DUE TO IMPROPER SIZING/NON-
INSTALLATION OF CAPACITOR BANKS AT THE GRID STATIONS**
- vi. **PARA NO.3 (GEPCO)PAGE NO.29-30 AUDIT REPORT (2002-03)
WASTEFUL EXPENDITURE OF RS. 2.560 MILLION DUE TO NON-
ACHIEVEMENT OF BENEFITS FROM L.T PROPOSALS EXECUTED
UNDER ELRPROGRAMME**

- vii. PARA NO.4 (GEPCO) PAGE NO.30-31 AUDIT REPORT (2002-03)
UNDERSTATEMENT OF ASSETS DUE TO UN-AUTHORIZED
POSSESSION/NON-ACCOUNTAL OF COMPANY'S LAND WORTH RS
597.033 MILLION
- viii. PARA NO.6 (GEPCO) PAGE NO.32 AUDIT REPORT (2002-03)
LOSS OF REVENUE TO THE TUNE OF RS.392.694 MILLION ON
ACCOUNT OF INCENTIVE THROUGH TOD TARIFF
- ix. PARA NO.7 (GEPCO) PAGE NO.32-33 AUDIT REPORT (2002-03)
LOSS OF RS.2.834 MILLION ON ACCOUNT OF ENERGIZATION OF
FURNACE CONNECTION BY CONSTRUCTION OF A FEEDER AT THE
COMPANY'S COST
- x. PARA NO.8 (GEPCO) PAGE NO.33-34 AUDIT REPORT (2002-03)
LOSS OF RS 28.617 MILLION ON ACCOUNT OF FIXED CHARGES
AND SECURITY DEPOSITS DUE TO NON-REGULARIZATION OF
EXTENSION IN LOAD
- xi. PARA NO.2 (HESCO) PAGE NO.38 AUDIT REPORT (2002-03)
BLOCKAGE OF FUNDS AMOUNTING TO RS 452 MILLION DUE TO
INCOMPLETE WORKS
- xii. PARA NO.1 (LESCO) PAGE NO.46 AUDIT REPORT (2002-03)
BLOCKAGE OF COMPANY'S RESOURCES ON ACCOUNT OF UN-
NECESSARY PURCHASE/NON-DISPOSAL OF STORE MATERIAL
VALUING RS 69.489 MILLION
- xiii. PARA NO.2 (LESCO) PAGE NO.46-47 AUDIT REPORT (2002-03)
NON-REGULARIZATION OF UN-AUTHORIZED EXTENDED LOADS
RESULTING INTO NON-RECOVERY OF RS 1.163 MILLION ON
ACCOUNT OF CAPITAL COST AND SECURITY DEPOSIT
- xiv. PARA NO.3 (LESCO) PAGE NO.47 AUDIT REPORT (2002-03)
NON-RECOVERY OF RS 21.256 MILLION FROM THE INDUSTRIAL
CONSUMER
- xv. PARA NO.1 (MEPCO) PAGE NO.50 AUDIT REPORT (2002-03)
IRREGULAR PURCHASE OF WOODEN CROSS ARMS WORTH
RS.8.014 MILLION BY TAMPERING OF RECORD
- xvi. PARA NO.7 (PESCO) PAGE NO.58 AUDIT REPORT (2002-03)
OUTSTANDING ADVANCES OF RS 5.497 MILLION AGAINST IBRD
CONTRACTORS

- xvii. PARA NO.9 (PESCO) PAGE NO.59-60 AUDIT REPORT (2002-03)
NON-PRODUCTION OF RECORD OF MATERIAL AND FUND OF
MORE THAN RS 10.799 MILLION
- xviii. PARA-211PAGE-249 AUDIT REPORT (2002-03)
AUDIT COMMENTS
- xix. PARA-212PAGE-249 AUDIT REPORT (2002-03)
AUDIT COMMENTS
- xx. PARA-212.1PAGE-249 AUDIT REPORT (2002-03)
AUDIT COMMENTS
- xxi. PARA-212.2PAGE-250 AUDIT REPORT (2002-03)
AUDIT COMMENTS
- xxii. PARA-212.3PAGE-250 AUDIT REPORT (2002-03)
AUDIT COMMENTS
- xxiii. PARA-212.4PAGE-250 AUDIT REPORT (2002-03)
AUDIT COMMENTS
- xxiv. PARA NO.3 (HESCO) PAGE NO.38-39 AUDIT REPORT (2002-03)
LESS GENERATION OF REVENUE AMOUNTING TO RS 29.215
MILLION

PAC DIRECTIVE

The Committee settled the above twenty four un-highlighted paras on the recommendation of the Audit.

THE FOLLOWING TWELVE PARAS WERE PENDED FOR NEXT MEETING.

- 24. i. PARA NO.1 (QESCO) PAGE NO.65 AUDIT REPORT (2002-03)
LOSS OF RS.4.175 MILLION DUE TO NON-REGISTER OF CLAIMS
WITH THE DIRECTOR INSURANCE
- ii. PARA NO.1 (GBHP) PAGE NO.66-67 AUDIT REPORT (2002-03)
NON DISPOSAL OF TEMPORARILY ACQUIRED LAND COSTING RS
977.87 MILLION
- iii. PARA NO.2 (GBHP) PAGE NO.67-68 AUDIT REPORT (2002-03)
UTILIZATION OF SUB-STANDARD STEEL VALUING RS 19.295
MILLION IN THE BARRAGE WORK (C-01)

- iv. PARA NO.3 (GBHP) PAGE NO.69 AUDIT REPORT (2002-03)
ADDITIONAL EXPENDITURE OF RS 409.667 MILLION ON
CONSTRUCTION OF CUT-OFF WALL THROUGH VARIATION ORDER
- v. PARA NO.4 (GBHP) PAGE NO.70-71 AUDIT REPORT (2002-03)
OVERPAYMENT OF RS 53.797 MILLION TO CONTRACTOR
THROUGH VARIATION ORDER
- vi. PARA NO.5 (GBHP) PAGE NO.71 AUDIT REPORT (2002-03)
AVOIDABLE EXPENDITURE OF RS 92.803 MILLION ON
CONSTRUCTION OF SCHOOLS & HOSPITALS IN EXCESS OF
REQUIREMENT
- vii. PARA NO.7 (GBHP) PAGE NO.72-74 AUDIT REPORT (2002-03)
UN-AUTHORIZED PROVISION OF LUXURIOUS VEHICLES ON
RENTAL BASIS RESULTING EXPENDITURE OF RS 532.419 MILLION
- viii. PARA NO.8 (G.M. PROJECT NORTH) PAGE NO.74 AUDIT REPORT
(2002-03)
IRREGULAR PAYMENT OF RS 2.605 MILLION FOR CONSTRUCTION
OF ENGINEERS OFFICE AT TARBELA
- ix. PARA NO.9 (G.M. PROJECT SOUTH) PAGE NO.75 AUDIT REPORT
(2002-03)
LOSS OF RS 25.625 MILLION DUE TO AWARD OF LAND
COMPENSATION AT HIGHER RATES
- x. PARA NO.10 (G.M. TDP) PAGE NO.76 AUDIT REPORT (2002-03)
UN-NECESSARY PURCHASE OF PAVER ASPHALT ROAD FINISHING
MACHINE & MIXER VALUING RS 14.199 MILLION
- xi. PARA NO.11(G.M. WATER CENTRAL) PAGE NO.77 AUDIT REPORT
(2002-03)
WASTEFUL EXPENDITURE OF RS 2.731 MILLION
- xii. PARA NO.12 (G.M. P&D) PAGE NO.77-78 AUDIT REPORT (2002-03)
UNJUSTIFIED PAYMENT OF HONORARIA OF RS 532.700 MILLION

MINISTRY OF ENERGY (POWER DIVISION)

ACTIONABLE POINTS

Actionable point arising from the discussion of meeting of PAC held on 1st November, 2017 while examining Appropriation Accounts for the year 2002-03 pertaining to M/o Energy (Power Division) is given below:-

AUDIT REPORT (2002-03)

(POWER DIVISION)

1. **PARA NO.1, PAGE NO.10-11 (WPPO) AUDIT REPORT (2002-03)**
LOSS OF RS.1,248 MILLION DUE TO INTEREST ON LATE PAYMENT TO
IPPS

Audit pointed out that WAPDA paid an interest of Rs 1,248 million up to June 2003 on accounts of delay in payments to IPPs. Audit was of the view that the management could neither control system losses nor they were able to improve their recovery and other expenses, which disturbed its liquidity position resulting in late payments to IPPs.

PAO informed that this is a systematic problem. There are more obligatory payments and funds are less with the Power Division due to which payments to IPPs became late. To address the issue a Committee headed by Attorney General of Pakistan has been constituted. Legal team of the Power Division and all other stakeholders will be included in this Committee. Payments are made as and when funds became available. Payments are made according to a proper formula. The circular debt is accumulated from many years. Necessary legislation in this regard is under process.

PAC DIRECTIVE

The Committee pended the para.

2. **PARA NO.5, PAGE NO.31-32 (GEPSCO) AUDIT REPORT (2002-03)**
WASTEFUL EXPENDITURE OF RS.4.119 MILLION ON CONSTRUCTION OF
AN 11 KV EXPRESS FEEDER

Audit pointed out that in GEPSCO an express 11 KV feeder was constructed to supply power to Dinga City from Kharian Grid Station. Meanwhile, new Grid Station at Dinga City was constructed. The costly material of 11 KV Express Feeder was stolen from site as this was not energized. These assets were neither reflected in accounts of the company nor shown to be owned by any field formation. Thus, the expenditure of Rs. 4.119 million incurred on construction of 11 KV feeder gone wasted.

PAO informed that an amount of Rs. 3.32 lac has been imposed upon the one official and the matter of second official is in the Court who were held responsible. The entire amount relating to JEPCO has been verified by the Audit and the balance amount pertaining to IESCO is subjudice in the court of Law.

PAC DIRECTIVE

The Committee recommended the para for settlement to the extent of amount recovered subject to verification by the Audit and directed the PAO to pursue the case in the Court of Law, vigorously.

3. PARA NO.1, PAGE NO.37-38 (HESCO) AUDIT REPORT (2002-03) LOSS OF RS 627.606 MILLION DUE TO EXCESSIVE LINE LOSSES

Audit pointed out that in HESCO, distribution losses for the year 2001-02 were 33.41% against the fixed target of 30.40%. The percentage of loss over and above the target involved monetary loss of Rs 627.606 million to the company.

PAO informed that on the direction of PAC a study Report was carried out by M/s Power Planner International (PPI) was made. As per its Report total technical and distribution losses were 18.456%. NEPRA has fixed the target of losses of 22.5%.

PAC DIRECTIVE

The Committee pended the para.

4. PARA NO.1, PAGE NO.54 (PESCO) AUDIT REPORT (2002-03) LOSS OF RS.678.338 MILLION ON ACCOUNT OF EXCESSIVE DISTRIBUTION LOSSES AGAINST THE FIXED TARGET

Audit pointed out that in PESCO Peshawar, during 2001-02 distribution losses were recorded 23% as against fixed target of 21%. The overall excessive losses by 2% over and above fixed target resulted in a loss of Rs 678.338 million to the Company.

PAO informed that efforts are being made to minimize the distribution losses. The Cabinet Committee on Energy is regularly examining the issue. Joint Secretary M/o Energy is personally looking into the matter of line losses. Situation is being managed on emergency basis.

PAC DIRECTIVE

The Committee directed the PAO to prepare a comprehensive plan to minimize the losses and submit it to the Audit/PAC within 30 days.

5. **PARA NO.4, PAGE NO.56 (PESCO) AUDIT REPORT (2002-03)**
DOUBTFUL CONSUMPTION OF MATERIAL TO THE TUNE OF RS.19.522
MILLION

Audit pointed out that in PESCO Peshawar, material for bifurcation/rehabilitation of various 11 KV feeders was drawn and shown installed as per completion reports. The Site Verification Reports pointed out certain short installation of material worth Rs. 19.522 million on these works, which led to doubtful consumption to the stated extent.

PAO informed that Rs. 5.06 million has been recovered and verified by the Audit and the balance amount is Rs. 14.454 million. He explained that Rs. 6.700 million will be recovered by 20% pension benefits. He showed his lethargic position that Rs. 1.491 million and Rs. 4.032 million could not be recover because two officials has been dismissed and others were exonerated by the competent authority.

PAC DIRECTIVE

The Committee took serious notice of exoneration of responsible officials and directed the PAO to look into the matter personally, effect recovery and submit report within six weeks.

6. **PARA NO.5, PAGE NO.56-57 (PESCO) AUDIT REPORT (2002-03)**
RECOVERABLE AMOUNT OF RS 9.250 MILLION FROM THE
CONTRACTOR

Audit pointed out that in PESCO Peshawar, material valuing Rs 7.843 million was drawn by a contractor in 1994-95 against work orders issued under Overseas Economic Cooperation Fund (OECF) loan. Contractor also received payment of Rs 1.407 million in November 1998 which was made by processing the bills without approval of the P.D concerned. The works were not completed. The Inquiry Committee established the irregularity and recommended for taking suitable action for recovery of payments made along with black listing the contractor. Recommendations of the Inquiry Committee were confined to irregular receipt of payment, but it was silent about recovery of cost of material viz. Rs 7.843 million drawn by contractor. No action for the recovery of Rs 9.250 million on account of cost of material drawn and irregular payment received by contractor was taken.

PAO informed that the contractor has been black listed, the recovery is subjudice in the Court of Law and the two assistants responsible for processing the bill without diary and marking by the competent officers are not traceable. The PAO ensured that the matter will be probed and inquiry report will be submitted in the next meeting.

PAC DIRECTIVE

The Committee directed the PAO to hold inquiry, fix responsibility, take action and submit report within 30 days.

7. **PARA NO.6, PAGE NO.57-58 (PESCO) AUDIT REPORT (2002-03)**
NON-CAPITALIZATION OF WORKS OF 11KV FEEDERS EXECUTED WITH
AN EXCESS EXPENDITURE OF RS 73.723 MILLION

Audit pointed out that in PESCO, 39 works of 11 KV feeders sanctioned with an estimated cost Rs 104.024 million during the period 1992-98, were executed with an expenditure of Rs 177.747 million. The expenditure on these works was incurred till 1998 thereby resulting into excess expenditure of Rs 73.723 million beyond the sanctioned estimates. Completion reports of these works had not been prepared and the same were appearing as works in progress. Moreover, handing/taking over of the works were not finalized. In the absence of which, the material installed at sites against the drawal from store could not be ascertained. Non-capitalization of the works and the excess expenditure to the extent of Rs 73.723 million needs justification.

PAO informed that an amount of Rs. 65.292 million has been verified by the Audit an amount of Rs. 7.748 million is pending. Action against the responsible official for remaining five feeders is under process in the light of findings of the inquiry.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

8. **PARA NO.8, PAGE NO.58-59 (PESCO) AUDIT REPORT (2002-03)**
UN-LAWFUL PURCHASE OF UN-REGISTERED VEHICLES AT A COST OF
RS.2.695 MILLION

Audit pointed out that in PESCO Peshawar, six un-registered vehicles were purchased at a cost of Rs 2.695 million from the bargain centers of FATA areas. The purchase of un-registered vehicles were repugnant to Custom Act 1960 (Para 8 section 156 Ch. XVII) and these were liable to be confiscated. The purchase of un-registered vehicles for Rs 2.695 million was un-lawful besides a potential loss to the company.

PAO informed that the expenditure has been regularized by the Board of Directors and permission has been solicited from the Audit for condemnation.

PAC DIRECTIVE

The Committee recommended the para for settlement with displeasure and directed the PAO that this directive should not be considered as precedent.

9. **PARA NO.10, PAGE NO.60 (PESCO) AUDIT REPORT (2002-03)**
LOSS OF RS.22.07 MILLION DUE TO WRONG APPLICATION OF TARIFF

Audit pointed out that in PESCO Peshawar, the load for electricity connections of PTV, NBP, State Bank and Pearl Continental hotel were sanctioned under industrial and Bulk Supply tariff, whereas according to general supply Tariff A-2, these consumers were required to be charged under commercial tariff. Wrong application of tariff resulted in a loss of Rs 22.07 million.

PAC DIRECTIVE

The Committee directed the PAO to pursue the case in the Court of Law vigorously and pended the para.

10. **PARA NO.12, PAGE NO.61-62 (PESCO) AUDIT REPORT (2002-03)**
LOSS OF RS.15.303 MILLION DUE TO WRONG APPLICATION OF TARIFF

Audit pointed out that in PESCO, Peshawar, the load for a government sponsored hospital was sanctioned under industrial Tariff since September 1996 which was required to be charged under Domestic Tariff. Resultantly Rs 12.43 million were less recovered on account of wrong application of Tariff. Similarly government offices and guest houses were wrongly charged under Domestic Tariff instead of applicable Commercial Tariff which entailed short recovery of Rs 2.327 million. Similarly in another case, a connection in the name of 'Tatara Park' was sanctioned under Industrial Tariff with 12 KW load whereas the connected load was 80 KW comprising 9 KW light load and 71 KW motive load. So, Industrial Tariff was required to be charged to 71 KW load and Commercial Tariff to 9 KW light load resulting in loss of Rs.0.546 million. Due to wrong application of Tariff, the Company was put to a loss of Rs 15.303 million.

PAO informed that an amount of Rs. 2.192 million has been verified by the audit an amount of Rs. 13.111 million is pending.

PAC DIRECTIVE

The Committee referred the para to DAC for re-examination and directed the PAO to submit the report after DAC, to the Audit / PAC within 30 days.

PAC GENERAL DIRECTIVE

The Committee directed that all the pending issues will be examined by the Monitoring and Implementation Sub-Committee of PAC.

11. i. PARA NO.2, PAGE NO.54 (PESCO) AUDIT REPORT (2002-03)
NON-IMPLEMENTATION OF EQUIPMENT REMOVAL ORDER-LOSS
OF RS. 1.328 MILLION
- ii. PARA NO.3, PAGE NO.55 (PESCO) AUDIT REPORT (2002-03)
ILLEGAL USE OF POWER DUE TO NON REMOVAL OF ELECTRIC
EQUIPMENT-LOSS OF RS. 3.921 MILLION
- iii. PARA NO.1, PAGE NO.65 (QESCO) AUDIT REPORT (2002-03)
NON-REGISTERING OF CLAIM WITH THE DIRECTOR INSURANCE –
LOSS OF RS. 4.175 MILLION

PAC DIRECTIVE

The Committee settled the above three paras on the recommendation of DAC.

M/O ENERGY (WATER RESOURCES)

ACTIONABLE POINTS

Actionable points arising out of the discussion of meeting of PAC held on 28th February, 2018 while examining Audit Reports/Special Audit Reports for the year 2002-03 pertaining to Ministry of Water Resources (WAPDA) are given below:-

AUDIT REPORT FOR THE YEAR 2002-03

1. **AUDIT PARA NO.1 (GBHP), PAGE NO.66-67 AUDIT REPORT (2002-03)**
NON DISPOSAL OF TEMPORARILY ACQUIRED LAND COSTING RS. 977.87
MILLION.

Audit pointed out that PC-I envisaged acquisition of 3,440 hectare land at a cost of Rs 1,809.91 million for the Ghazi Barotha Hydro Power Project (GBHP). This included 1,640 hectare land for temporary acquisition for spoil banks at a cost of Rs 977.87 million.

As per Resettlement Action Plan 1994, temporarily acquired land was to be sold back to the owners before June 2000 to yield the revenue. According to Clause 5.2.2 of feasibility report Vol-08, acquired land was to be sold back to the farmers on the same rates after levelling the soil. The project authorities failed to re-sell this land as per plan.

PAO informed that NOC from Punjab Government was required for re-sale of the land. Despite several reminders no response received from Punjab Government. Now NOC has been received and land will be returned back.

PAC DIRECTIVE

The committee settled the para subjected to verification of record by the Audit.

2. **AUDIT PARA NO.10, PAGE NO.76 AUDIT REPORT (2002-03)**
UN-NECESSARY PURCHASE OF PAVER ASPHALT ROAD FINISHING
MACHINE & MIXER VALUING RS. 14.199 MILLION.

Audit pointed out that at Tarbela Dam Project, a Paver Asphalt Road Finishing Machine and Asphalt Mixer were procured from foreign supplier at a total cost of Rs 14.199 million (Rs 8.390 M + Rs 5.809 M) for maintenance of the project roads. Since maintenance of the roads was responsibility of the contractors, these machines remained unused resulting in an un-necessary expenditure of Rs 14.199 million.

PAO informed that despite two attempts the machine could not be disposed off due to low bid received than the reserved price. The management requested to allow more time for the disposal of the machine.

PAC DIRECTIVE

The committee directed the PAO to hold inquiry fixed responsibility, take action and submit the report to Audit/PAC within 30 days.

PARAS RECOMMENDED FOR SETTLEMENT

3.
 - i. **AUDITPARA NO.2 AUDIT REPORT (2002-03)**
UTILIZATION OF SUB-STANDARD STEEL VALUING RS. 19.295
MILLION IN THE BARRAGE WORK (C-01)
 - ii. **AUDITPARA NO.3 AUDIT REPORT (2002-03)**
ADDITIONAL EXPENDITURE OF RS. 409.667 MILLION ON
CONSTRUCTION OF CUT-OFF WALL THROUGH VARIATION ORDER
 - iii. **AUDITPARA NO.4 AUDIT REPORT (2002-03)**
OVERPAYMENT OF RS. 53.797 MILLION TO CONTRACTOR
THROUGH VARIATION ORDER
 - iv. **AUDITPARA NO.5 AUDIT REPORT (2002-03)**
AVOIDABLE EXPENDITURE OF RS. 92.803 MILLION ON
CONSTRUCTION OF SCHOOLS AND HOSPITALS IN EXCESS OF
REQUIREMENT
 - v. **AUDITPARA NO.6 AUDIT REPORT (2002-03)**
EXTRA EXPENDITURE OF RS. 17.380 MILLION DUE TO
SUSPENSION OF WORK BY CONTRACTOR
 - vi. **AUDITPARA NO.7 AUDIT REPORT (2002-03)**
UN AUTHORIZED PROVISION OF LUXURIOUS VEHICLES ON
RENTAL BASIS RESULTING EXPENDITURE OF RS. 532.419 MILLION
 - vii. **AUDITPARA NO.8 AUDIT REPORT (2002-03)**
IRREGULAR PAYMENT OF RS. 2.605 MILLION FOR CONSTRUCTION
OF ENGINEER'S OFFICE AT TARBELA
 - viii. **AUDITPARA NO.9 AUDIT REPORT (2002-03)**
LOSS OF RS. 25.625 MILLION DUE TO AWARD OF LAND
COMPENSATION AT HIGHER RATES
 - ix. **AUDITPARA NO.11 AUDIT REPORT (2002-03)**
WASTEFUL EXPENDITURE OF RS. 2.731 MILLION
 - x. **AUDITPARA NO.12 AUDIT REPORT (2002-03)**
UNJUSTIFIED PAYMENT OF HONORARIA OF RS. 532.700 MILLION

PAC DIRECTIVE

The committee settled the above ten paras on the recommendation of DAC.

M/O WOMEN DEVELOPMENT, SOCIAL WELFARE & SPECIAL EDUCATION

OVERVIEW

Annual Audit Report for the year 2002-03 pertaining to the M/o Women Development, Social Welfare and Special Education actionable points was examined by the PAC on 21st April, 2016. This was the defunct Ministry and was examined with Capital Administration and Development Division (CADD).

- 03 grants were presented by the Audit Department which were examined by the Committee. All grants were settled.

M/O WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 21st April, 2016 while examining Appropriation Accounts for the year 2002-03 pertaining to M/o Women Development, Social Welfare and Special Education are given below: -

APPROPRIATION ACCOUNTS CIVIL VOL-I 2002-03

1. i) **GRANT NO.110-WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION DIVISION**

AGPR pointed out that the grant closed with a saving of Rs. 17,960,102 which worked out to 0.57% of the total grant. An amount of Rs. 12,499,240 (0.40%) was surrendered leaving net saving of Rs. 5,460,862 (0.25%).

ii) **GRANT NO.111-OTHER EXPENDITURE OF WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION DIVISION**

AGPR pointed out that the grant closed with the saving of Rs. 148,285 which worked out to 0.87% of the total grant.

iii) **GRANT NO.147-DEVELOPMENT EXPENDITURE OF WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION DIVISION**

AGPR pointed out that the grant closed with the saving of Rs. 105,649,474 which worked out to 12.62% of the total grant. An amount of Rs. 82,891,893 (9.90%) was surrendered leaving net saving of Rs. 22,757,581 (2.72%).

PAC DIRECTIVE

The Committee recommended the above three grants for settlement.

THE END

ACRONYMS

ADP:	Annual Development Programme
AGPR:	Accountant General of Pakistan Revenue
AIBL:	Assets Investment Bank Ltd.
ASF:	Airport Security Force
BNA:	Bank Nationalization Act
BOD:	Board of Directors
BOQ:	Bill of Quantities
CAA:	Civil Aviation Authority
CADS:	Commercial Appendix Defence Services
CBR:	Central Board of Revenue
CCOR:	Cabinet Committee on Restructring
CDA:	Capital Development Authority
CGA:	Controller General of Accounts
CIRC:	Corporate & Industrial Restructuring Corporation
CMA:	Controller Military Accounts
CPWD:	Central Public Works Departmen
DAC:	Departmental Accounts Committee
DFSL:	Duty Free Shops Limited
EAD:	Economic Affairs Division
EBS:	Excess Budget Statement
ECC:	Economic Coordination Committee of Cabinet
FIA:	Federal Investigation Agency
FST:	Federal Services Tribunal
FWO:	Frontier Works Organization
GDS:	Gas Development Surcharge
ICT:	Islamabad Capital Territory
IDC:	Inter-Departmental Committee
M/o:	Ministry of
M/s:	Messers
MNA:	Member of National Assembly
MOD:	Ministry of Defence
MOQs:	Minimum Order Quantity
NAB:	National Accountability Bureau
NADRA:	National Database and Registration Authority
NBP:	National Bank of Pakistan
NDC:	National Development Corporation
NHA:	National Highway Authority
NICL:	National Insurance Company limited
NIDA:	National Income Daily Accounts
NOC:	No Objection Ceritificate
NTC:	National Telecommunication Corporation
OECF:	Overseas Economic Cooperation Fund
PAC:	Public Accounts Committee

PAO:	Principal Accounting Officer
PCP:	Printing Corporation of Pakistan
PIAC:	Pakistan International Airlines Corporation
PEPAC:	Pakistan Environment Planning & Architectural
PMTF:	Pakistan Machine Tool Factory
PTDC:	Pakistan Tourism Development Corporation
PTV:	Pakistan Television
POL:	Petroleum, Oils and Lubricants
PWD:	Public Works Department
PSDP:	Public Sector Development Programme
PTCL:	Pakistan Telecommunication Company Limited
RDFC:	Regional Development Finance Corporation
SAFRON:	States and Frontier Regions and Northern Areas
SBFC:	Small Business Finance Corporation
SBP:	State Bank of Pakistan
SECP:	Security Exchanges Commission of Pakistan
SPL:	Shell Pakistan Ltd.
SME:	Small and Medium Enterprises
SNGPL:	Sui Northren Gas Pipeline Line
WAPDA:	Water and Power Development Authority
ZTBL:	Zarai Taraqati Bank Limited

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