REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON

- MINISTRY OF COMMUNICATIONS
- MINISTRY OF COMMERCE
- MINISTRY OF DEFENCE
- MINISTRY OF PETROLEUM AND NATURAL RESOURCES
- MINISTRY OF EDUCATION
- AGRICULTURE RESEARCH DIVISION
- KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION
- STATES AND FRONTIER REGIONS DIVISION

(1981-82 TO 1984-85)

CONTENTS

SUMMARY OF RECOMMENDATIONS

MINISTRY OF COMMUNICATIONS

Pakistan Post Offices Department

1. Finance Division should look into unrealistic budgeting of Pakistan Post Offices Department and see to it that Budget Estimates are realistic and accurate as far as possible. (Para 2.2.1).

2. The Government should either provide adequate funds for achieving the laid down targets or the annual programmes should be recast according to available resources, so that the effectiveness and efficiency of concerned agencies could be realistically evaluated. (Para 2.2.2).

3. Reconciliation of cash balances should be ensured (Para 2.2.3).

4. Internal controls should be reviewed on continuing basis to see that there were no institutional lapses, frauds and misappropriations. (Para 2.2.4).

Telegraphs and Telephones Department

1. (a) All out efforts should be made by the Department to improve utilization of installed capacity of telephones in the country;

(b) Adequate resources should be provided to meet the effective demand of telephones;

(c) Internal control systems should be improved to curb the corrupt practices. (Para 2.3.6).

2. (a) Internal controls should be tightened up on telephone billing system;

(b) the prescribed procedure for recoveries must be followed strictly and promptly;

(c) A decision regarding conferring magisterial powers on some T&T Officers to recover T&T arrears as arrears of land revenue should be finalized without delay;

(d) All cases of chronic recovery against the Government and semi-Government Establishments should be referred to Finance Division for adjudication.

(e) The outstanding recoveries should be properly analysed and concrete proposals to improve procedures and controls should be evolved. (Para 2.3.10).

3. A Committee should look into the deficiencies in Inventory Management and evolve an effective mechanism to ensure proper management and accounting of stores. (Para 2.3.18).

4. The Management should be more careful in planning their programmes and utilization of available resources. (Para 2.3.21).

5. Possibilities for manufacturing electronic typewriters in the country should be explored by the TIP. (Para 2.3.26).

National Highway Board

1. The concerned Ministries should evolve a system for allocation of funds and its distribution for Kurakuram Highway in a manner that no excess expenditure is incurred by FWO and their emergent requirements are also met. (Para 2.4.1).

Karachi Shipyard and Engineering Works

1. Government while considering the proposals for purchase of ships should give due consideration to support Karachi Shipyard, and should *see* to it that it gets the full share of new shipping in the country.

2. A report on purchase of foreign manufactured ships during the last 10 years should be prepared to determine as to why foreign purchases were resorted to while local manufacturing facilities remained unutilized.

3. Prospects of utilizing local manufacturing facilities for both commercial and Military purposes should be examined. (Para 2.5.4).

4. Public Sector Organizations should not involve Commission Agents or Brokers in their business deals with sister concerns.

Pakistan National Shipping Corporation

1. Long term policy concerning managerial, financial, marketing and other aspects of the business, should be evolved so that the targets are specifically established and performance regularly measured.

MINISTRY OF COMMERCE

1. Manning of all trade promotion jobs in Pakistan Missions abroad should be made from Trade Group Officials. (Para 3.3).

2. Finance Division should examine whether rebates allowed from the Federal Revenues should be subjected to Legislative approval as expenditure. (Para 3.4).

3. Carbon black industry should be provided due protection against foreign manufacturers. (Para 3.5).

Cotton Export Corporation

1. The Corporation should be financially restructured to reduce its dependence on borrowings. (Para 3.9).

Export Credit Guarantee Scheme

1. The tariff structure should be readjusted to provide existing facilities to the exporters at reduced cost. (Para 3.13).

Rice Export Corporation

1. The Government should investigate into the affairs of Doaba Rice Mills and may consider its disinvestment. (Para 3.32).

2. The Government may consider closure of Pakistan National Produce Company Limited to avoid further losses. (Para 3.35).

DEFENCE DIVISION

1. The existing pattern of Defence Budgetting should be dispensed with and the Budget should provide basic information about the quantum of expenditure on various functions and objects under the Defence Services as is the practice on civil side. (Para 4.1.6).

2. Auditor-General should examine as to why the accounts of Fauji Foundation, Shaheen Foundation, Bahria Foundation and Defence Housing Authority, Karachi were not being laid before the legislature. (Para 4.1.8 and 9).

DEFENCE PRODUCTION DIVISION

1. Pakistan Ordnance Factories be converted into a Corporation to utilize its potential and enable it to play a more dynamic role in National Defence and export market. (Para 4.2.4).

2. POF's should undertake more work for the private (non-defence) sectors. (Para 4.2.5).

3. A uniform policy should be formulated for marine insurance of Government consignments.

AVIATION DIVISION

1. A high level Committee should be appointed to probe into the causes of poor financial performance of P.I.A. subsidiaries and to suggest future line of action.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

1. A working group should be constituted to review the accounting set up of Oil and Gas Development Corporation and to suggest measures by which the accounts of the Organization are prepared in a comprehensive manner and submitted to the legislature in time. The group should also examine the inventory management. (Para 5.5).

2. OGDC should submit an annual performance report to the Legislature. (Para 5.6).

MINISTRY OF EDUCATION

1. The management of National Book Foundation should keep a close watch on its expenses to ensure that the foundation does not face unsurmountable financial constraints.

AGRICULTURE RESEARCH DIVISION

1. A crash programme for oil seed production in the country should be developed so that dependence on import of edible oil could be reduced. (Para 7.6).

STATES AND FRONTIER REGIONS DIVISION

1. All the industrial establishments of FATA Development Corporation, which are incurring perpetual losses should be liquidated. (Para 9.9).

1. INTRODUCTION

1. The results of examination of the accounts of the following Ministries and Divisions for the years 1981-82 to 1984-85, and the report of the Auditor-General of Pakistan thereon are discussed in succeeding pages :—

(i) Ministry of Communications.

(ii) Ministry of Commerce.

(iii) Ministry of Defence.

(iv) Ministry of Petroleum and Natural Resources.

(v) Ministry of Education.

(vi) Agriculture Research Division.

(vii) Kashmir Affairs and Northern Affairs Division.

(viii) States and Frontier Regions Division.

1.2. The Committee would like to place on record its thanks for the valuable help rendered by Mr. Riyaz H. Bokhari Auditor-General of Pakistan, Mr. M. A. Haq former Secretary National Assembly, Mr. K. M. Chima Secretary, National Assembly, Mr. A. A. Zaidi, Deputy Auditor-General of Pakistan, representatives of the agencies concerned and their officers and staff in assisting the Committee in its work.

1.3. While submitting this report to the National Assembly it is finally recommended that the suggestions and recommendations made by the Committee in the report may be accepted.

K. M. CHIMA,
Secretary.

Dated : 31*st December*, 1987

SARDARZADA MUHAMMAD ALI SHAH.
Chairman.

SARDAR ASEFF AHMAD ALI,
Member.

CH. MUHAMMAD SARWAR KHAN,
Member.

NAWAB MUHAMMAD YAMIN KHAN,
Member.

MALIK SAID KHAN MAHSUD,
Minister of State for Water and Power,
Member.

RAI ARIF HUSSAIN,
Member.

SHAHABUDDIN SHAH HUSSAINY,
Member.

MIANGUL AURANGZEB,
Member.

SHAHZADA JAM MUHAMMAD YOUSUF,
Member.

MIAN MUHAMMAD YASIN KHAN WATTOO,
Minister for Finance and Economic Affairs,
Ex-Officio *Member.*

2.1. MINISTRY OF COMMUNICATIONS

2.1.1. Appropriation Accounts of Ministry of Communications for 1981-82, 1982-83, 1983-84 and 1984-85 and the Reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 7th January, 1985, 24th March, 1986, 25th August, 1986, 30th-31st March, 1987 and 28th July, 1987.

2.1.2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on Ministry of Finance which has been laid before the National Assembly.

2.1.3. The expenditure incurred by the Ministry of Communications has been divided in following four categories for facility of discussion :—

(a) Pakistan Post Offices Department.
(b) Pakistan Telegraph and Telephones Department.
(c) National Highway Board and
(d) Statutory Corporations.

2.1.4. The Minutes of the proceedings of the Committee are placed at Annexure, 'A'.

2.2. PAKISTAN POST OFFICES DEPARTMENT

2.2.1. *Budgeting.*—Comparative Review of the estimated and actual revenue receipts and expenditure of Post Office Department during the four years under review is given below :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Revenue Receipts Estimates ..	398	440		635
Revenue Expenditure Estimates ..	469	520		669
Estimated Deficit	68	80		34
Revenue Receipts Actuals ..	311	426		586
Revenue Expenditure Actuals ..	475	550		686
Actual Deficit	164	124		100

It was thus evident from the above data that the budgeting of the income and working expenses of the Post Office Department was not being realistically carried out. The revenue receipt targets were placed much higher than could be achieved and working expenses targets were consistently placed on a lower side.

The Committee discussed the situation with DG Post Offices according to whom, it was the Finance Division, who fixed their own targets for the Post Offices.

The Committee observed that an unrealistic budgeting by the Finance Division does not help any body. On the contrary, it creates problems of unanticipated pressures on cash flow. The Committee desired that Finance Division should look into the matter and *see* to it that budget estimates may it be for expenditure or for revenue receipts, should be realistic and should be prepared accurately as far as possible.

2.2.2. *Extension of Postal Services.*—The Committee observed that the annual targets fixed for extension of Postal Services in Urban and Rural areas of the country were not achieved by the Department. The Director General explaining the position stated that it was due to the non-provision of adequate financial resources.

The Committee was not satisfied with the explanation and observed that either the government should ensure that adequate funds are provided for achieving the laid down targes as per Annual Programme or the annual programmes should be recast according to available resources so that the effectiveness and efficiency of the executive agency could be realistically evaluated.

2.2.3. *Cash Balance Reconciliation.*—The Auditor-General in his report stressed the need for timely reconciliation of cash balance by the Post Offices. He stated that presently the annual accounts of Post Offices were being prepared without proper reconciliation of cash transactions with the Treasury.

The Committee directed that Department should ensure reconciliation of cash balance, and in case of non-reconciliation, the responsibility should be fixed.

2.2.4. *Losses/Defalcation of Public Money.*—During the last four years, a number of cases of losses/defalcation of money took place in Pakistan Post Offices. The year-wise break-up of such cases is as under :—

Year	No. of cases	Account involved (Rs. in m.)	Cases in which employees were involved:
1981-82	40	2.566	83%
1982-83	66	0.668	87%
1983-84	16	0.06	95%
1984-85	112	3.8	97%

The above cases included a case in which Rs. 1.687 million were misappropriated in Mardan Head Post Office but the detection was delayed as the reconciliation of cash transactions between the Post Offices and the Treasury were in arrears.

The Department assured the Committee that the reconciliation was now being regularly done all over the country.

The increase in number of cases (specially in 1984-85) was quite high. The Committee therefore asked the Department to review its internal controls on a continuous basis to *see* that there were no institutional lapses leading to frauds and misappropriations.

2.2.5. *Delays in execution of Civil Works.*—Audit pointed out that physical implementation of certain building works had not been completed even after the lapse of 14 to 18 years. The DG Post Offices in his reply stated that the works under observation were the deposit works for which funds had been placed at the disposal of Pak. PWD and they had not completed the job so far.

The Committee directed that a list of all such works should be supplied. The Committee also directed the Public Works Department to start all the works within one month of the release of funds.

2.2.6. *Irregular expenditure of Rs.* 205,977.—It was reported that the recovery of electricity charges from the residents of a postal Colony at Peshawar was made at flat rates which worked out to only 12 per cent of the total demand. This has resulted in loss of Rs. 205,977 to the government.

The Committee after hearing the explanation of the Department directed that sub-meters should be installed in residential quarters instead of charging the bills at flat rate.

2.3. PAKISTAN TELEGRAPHS AND TELEPHONES DEPARTMENT

Telephone Connections

2.3.1. Installed telephone capacity and the actual telephone connections in the country during the years 1981-82 to 1984-85 were as under :—

Years	Installed Capacity	No. of Telephones Installed	Utilization Ratio.
1981-82	393,010	309,110	79%
1982-83	442,670	366,310	83%
1983-84	500,240	421,660	84%
1984-85	559,950	469,580	84%

2.3.2. It was thus apparent that while the installation capacity and the utilization ratio both exhibited an increase of about 50 per cent in the last 4 years, the utilization ratio was still below the departmental standard (95 per cent). The capacity utilization was maximum in Islamabad region (93 per cent) whereas in all the other regions the actual utilization ratio was not quite satisfactory.

2.3.3. The Director General Telephones explained that the telephone connections to the general public were provided on the basis of cables laid and distribution points in an exchange area. These were, therefore, the limiting factors which did not permit the Department to run the exchanges at their optimum level. Besides, there were certain other practical and technical difficulties. He further stated that financial constraints was another limiting factor in this regard.

2.3.4. Discussing the prospects of further extension in telephone facilities, the DG Telephones stated that the main bottleneck was the inadequate resource allocation. The telephone industry was a capital intensive industry. There was therefore always a substantial gap between the effective demand and supply.

2.3.5. The DG Telephones also stated that the Telephones system in the country was heavily burdened as there were lesser number of telephones available than the effective demand.

2.3.6. The Committee discussed the situation in the light of the views expressed by the Secretary Communication and the DG Telegraph and Telephones and made the following observations :—

(a) All out efforts should be made by the Department to improve utilization of installed capacity;

(b) Finance Division should provide adequate resources to the Department as far as possible:

(c) Department should improve its internal control systems to effectively curb the corrupt practices.

2.3.7. *Realization of Telephone Revenue.*—The position of telephone dues realized/outstanding as on 30th June, 1985 was as under :—

	(*Rs. in million*)
Amount outstanding on 30-6-1984	771.440
Amount billed during 1984-85	2,605.949
	3,377.389

	(Rs. in million).
Amount realized during 1984-85	2,395.210
Rebate allowed	15.853
Cancellations/Adjustments due to arithmatical/technical errors.	186.566
Amount outstanding as on 30-6-1985	779.760
	3,377.389

2.3.8. Category-wise break-up of the outstanding dues was as under :—

	(Rs. in million).
Federal Government	182.44
Provincial Governments	121.38
Private subscribers	153.34
Closed connections	220.03
Railways	11.84
Autonomous bodies	69.89
Others	20.84
	779.76

2.3.9. The Director General (T&T) explained that a major part of the outstanding dues were against Government and semi-government agencies. The Department was considering levy of surcharge on the bills not paid on due dates. It was also suggested that grant of magisterial powers be also given to T&T Officers to which the Justice had already issued no objection. The problem was, therefore, being looked after effectively.

2.3.10. The Committee discussed the issue and recommended as under :—

(a) The Department must tighten up its internal control both in regard to consumers and departmental officials ;

(b) The prescribed procedure for recoveries must be followed strictly and promptly ;

(c) A decision regarding conferring magisterial powers on some T&T Officers to recover T&T arrears as arrears of Land Revenue should be finalized without further delay;

(d) All cases of chronic recovery against the Government and Semi-Government establishments should be referred to the Finance Division for adjudication;

(e) The outstanding amounts should be properly analysed and concrete proposals to improve procedures and controls should be evolved to improve recovery position.

Non-recovery of dues (closed connections)

2.3.11. It was pointed out by the Auditor-General that telephone connections were generally disconnected only when heavy arrears against them had been accumulated. As a result arrears of Rs. 220 million had accumulated on the national net work on account of closed telephones. Instances were also noticed in which new connections were provided to the defaulting subscribers under the same name or some other name.

2.3.12. The Committee took a serious view of this situation and concluded that there appeared to be no effective controls or management information system within the organization. The Committee directed that effective steps must be taken to see that the regulatory frame work provided for the purpose is strictly followed and any lapses in this regard are strictly dealt with. The Committee asked the Department to ensure that arrears on this accounts should be recovered and there was no further accumulation of arrears.

Inventory management

2.3.13. The Committee came across a number of cases which indicated that the inventory management in the Telegraph and Telephone Department was much below the desired level. The lapses reported by Audit, included :—

(a) Non maintenance of prescribed record;

(b) Adjustments of stores without proper authorizations;

(c) Ineffective physical verification and adjustment of shortages;

(d) Non disposal of surplus and obsolete stores;

(e) Inadequate information system regarding availability of stores items.

2.3.14. The Department was not able to provide a satisfactory explanation for the inefficient inventory management.

2.3.15. The Committee examined the position in depth and was of the view that the inventory management in the Department had not been developed on scientific basis and as a result there was lot of waste and possibilities of misuse and misappropriation. One of the basic factors responsible for the situation was ineffective internal control and a general environment of indiscipline in the organization. Secretary Communication also agreed with the finding of the Committee that the internal controls had simply collapsed. It was high time that they should be restructured to ensure efficient utilization of available resources. He assured the Committee that corrective measures in this regard will be taken on priority basis.

Stock and manufacture Suspense Account

2.3.16. The Auditor-General while discussing the main features of the accounting system of T&T Department explained that the maintenance of stock and manufacture suspense accounts was deficient in a number of ways; *viz.* :

(a) the annual closing balance under the stock suspense account was many times more than the approved maximum limit.

(b) There were vast and unidentified variations between the actual and budgetary provisions.

(c) An unusual procedure for accounting of stores procurement for development project had been adopted, resulting in :—

(i) non-maintenance of inventory.

(ii) avoiding explanation of heavy excesses against sanctioned limits.

2.3.17. Auditor-General thus suggested that the whole system of inventory management and its accounting required a complete review. Departmental representative agreed with the diagnosis of the Auditor-General.

2.3.18. The Committee after discussions decided that a high level task force should be set up consisting of the representatives of the T&T Department, financial advisor and the Auditor-General to look into the problem of inventory management in depth and to evolve an effective mechanism to ensure that the stores purchased by the Departments are duly accounted for and properly managed.

2.3.19. *Laying underground cable in Shah Aalmi and Rang Mahal, Lahore.* (Performance Review).—Audit reviewing the performance of the above project made the following observations :

(i) The T&T Department planned a new telephone exchange at Shah Aalmi Lahore. Due to non-availability of land for exchange building, the funds were utilized in expansion of central exchange at Lahore. To meet the pressing requirements of Shah Aalmi exchange, Junction cable for 1200 pairs was laid. Subsequently it was decided to lay net work of 1800 pairs and to link it with the junction cable for installation.

(ii) The decision to utilize the junction cable was not well-conceived as the cable net work of 1200 pairs could have been used and blocking of capital against additional 600 lines could be avoided.

(iii) The project was sanctioned in July, 1978 and was to be completed in 6 months at a cost of Rs. 0.96 million. It was actually completed in January, 1980 at a cost of Rs. 1.55 million *i.e.* 62 per cent above the approved cost.

The excess expenditure was attributed to the following factors

(a) replacement of cable originally laid which subsequently proved unsuitable;

(b) wastage of jointing material;

(c) additional labour.

(iv) The delay not only resulted in excess expenditure but also in loss of revenue of about Rs. 3.75 million.

2.3.20. The Department explained the circumstances in which the land for the exchange could not be acquired and the Department had to face unforeseen litigation. In order to carry out the iob expeditiously 1800 pair cable was used as 1200 pair cable was not available in store. Department further explained that after crediting the cost of recovered store, excess on the project cost will be around 26 per cent. Department also stated that the land has now been acquired and the construction of exchange was on.

2.3.21. The Committee after hearing the management point of view directed that the management should be more careful in planning their programmes and utilization of available resources.

Telephone Industries of Pakistan Limited

2.3.22. Audit observed that the Telephone Industries of Pakistan had a capacity to manufacture 40,000 telephone exchange lines. Due to separation of East Pakistan about 50 per cent capacity became idle To utilize the capacity, diversification of production was considered as one of the alternatives. Two agreements one for manufacturing of portable typewriters and other for Standard typewriters were signed with M/s. MESSA of Portugal in April, 1973 (PC-I was approved by ECNEC in November, 1973). The main consideration in selecting MESSA, was free of cost supply of tools, machines and technical data in respect of portable typewriters and purchase of total inventory of finished goods.

2.3.23. Production was started in 1974-75 by assembly of portable typewriters. Due to delayed supplies from M/s. HESSA, the project could not achieve the targets. Political upheavels in portugal resulted in bankruptcy of M/s. MESSA and thus TIP lost the collaborator and the customers. The economic viability of the project was based on the production of portable typewriters and its export to M/s. MESSA. At there was no home market for portable typewriters and the guaranteed export market was lost, the project started incurring loss from the very beginning. Loss upto 1983-84 was Rs. 18 million.

2.3.24. The feasibility study of the project was not carried out before going for production of typewriters, and a Non-reputable firm was selected for callaboration. Financial position of the callaborator was also not examined closely with the result that TIP could not foresee imminent danger of bankruptcy of M/s. MESSA. The assurance by M/s. MESSA to lift the entire product entailed inherent risk of monopoly. Technology forecast was not prepared with the result that the project contained no provision for modernisation of the product. The agreement was defective as it did not contain appropriate provision to safeguard the interest of TIP. Rather clause 6.5 of the agreement left no ground for TIP for claiming any damages on account of losses due to delay in supply of equipment/material or any other non-performance on the part of M/s. MESSA. Indirect labour cost and operational expenses which were more or less fixed for a new organization constituted as much as 89 per cent to 96 per cent of the total cost of production. This had resulted in un-economic production.

2.3.25. The Department informed the Committee that due to separation of East Pakistan, as many as 160 men were surplus, thus a diversification was made.

2.3.26. The Committee observed that the Department may look into the possibility of manufacturing equipment for message storing capacity as in U.S.A. As for typewriters, the Department should work on Electronic Typewriters Technology. Director General may submit his recommendations regarding introducing modern technology in Telephone Apparatus.

2.3.27. *Installation of Multan Road Telephone Exchange, Lahore.*—Audit narrated brief history of the project and reported that for the installation of 2000 lines Multan Road Telephone Exchange Lahore, piecemeal provisions of telephone lines were made in three different country-wide projects (Main projects were to be completed by June, 1971, June, 1975 and June, 1978). The first provision for 100 telephone lines was made during 1965-66. The provision for other 1900 lines were made between 1970—75, the construction of exchange building was completed between November, 1969 to September, 1972. Installation of 1000 lines exchange was completed in June, 1975 and the next 1000 lines in June 1981 The cable network for 300 lines was completed in October, 1975 and for next 700 lines in June, 1981. The network for additional 1000 lines was completed between June, December, 1981. The estimated cost of exchange equipment and other allied works was Rs. 14 7 million. Actual expenditure was Rs. 15.9 million (6 per cent excess

2.3.28. Different phases of installation and expansion of the exchange were not properly planned as no implementation schedule for each exchange was given in PC-I. The estimates sanctioned by the department for the component works also did not indicate the period required for the execution of each task. Various stages of the project implementation were without a logical sequence *e.g.* estimate for 100 telephone lines was sanctioned in 1966 while the land was acquired in 1969 and exchange building was completed in 1972. Installation for 1000 lines exchange was completed in June, 1975 whereas the relevant three installation orders on TIP were placed in November December, 1976.

2.3.29. The exchange capacity was 1000 lines from June, 1975 which was increased to 2000 lines from June, 1981. The full capacity could not be utilized till May, 1983 as the cable net work was not completed side by side. Due to under utilization of capacity, the department sustained as estimated loss of revenue to the extent of Rs. 2.6 million between January, 1982 to May, 1983 (Loss prior to January, 1982 has not been worked out due to non-availability of complete data). The service and efficiency of the exchange was not satisfactory as the monthly average of the docketed complaints during 1982—85 was 429 per cent higher than the permissible limit of 20 faults per 100 subscribers.

2.3.30. The Department in reply reported that, it was not a fault of planning. The funds were not made available in accordance with approved phasing of the project. It was also incorrect to say that lines were not installed and connections were not allowed where cables were available. A Member pointed out that facility was available, but connections were not allowed to public. The Department replied that, although exchange facility was available, but cables were not available, as funds were not provided, laying of cables was not funded according to approved phasing. It was thus not correct to say that connections were not allowed, although lines were available.

On a query from Chairman, PAC, as to how exchange was installed where there was no provision. The Department promised to look into this aspect.

2.3.31. The Committee directed that Finance, Audit and Planning should look into it as to how this was done without a provision and also why a coordination could not be made.

2.3.32. Certain important cases of serious irregularities discussed by the Committee are summarized in succeeding paragraphs.

1981-82

2.3.33. *Loss of Rs. 168,750 due to short receipt of stores (Para 2,9-AR PT&T)*.—Audit pointed out that in a case stores valuing Rs 168,750 were short supplied by a firm but no action was taken by the Department to make good the loss. The Director General (T&T) stated that the relevant record had been destroyed being an old case.

The Committee asked the Department to proceed against the officials who were responsible for destruction of record as it was gross misconduct on their part and directed that in future no record pertaining to cases in which an audit observation or departmental investigations were pending, should be destroyed till such time these cases were finally settled.

2.3.34. *Loss of Rs. 0.96 million due to uneconomical Purchase (Para 3.7-AR-PT&T).*—A contract for supply of ducts at the rate of Rs. 28.80 per duct was made with a firm, although the cost of per duct being manufactured departmentally was Rs. 19.80 per unit. The uneconomical purchase thus resulted in a loss of Rs. 0.96 million. The Department accepted that this factor was not kept in view when the supply order was placed.

The Committee directed that an enquiry should be held in this case and the action taken against the officials responsible.

2.3.35. *Excess payment of Rs. 2.16 million (Para 4.1-AR-PT&T).*—An excess payment of Rs. 2.16 million was made to a contractor for consumption and fabrication of steel in excess of approved design.

The departmental representative explained that the Officer responsible for the overpayment had been removed from service in another case but had recently been re-instated by the Service Tribunal. He assured the Committee that disciplinary action would be taken against him as soon as he reports for duty.

2.3.36. *Irregular expenditure on replacement of telephone sets—Rs. 1.018 million (Para 5.2-AR-PT&T).*—Audit pointed out that Department had replaced a number of telephone sets costing Rs. 1.018 million and charged the expenditure to T&T fund whereas the expenditure was recoverable from the subscribers.

The Committee asked the Department to recover the amount from subscribers and submit a report.

2.3.37. *Wasteful expenditure of Rs.* 2.4 *million* (*Para* 6, *page* 110-*AR-PT&T*).—Audit pointed out that an expenditure of Rs. 2.425 million was incurred on procurement and installation of VHF Single Channel System had proved infructuous as these sets could not function satisfactorily and were dumped before they could fetch any revenue.

DG explained that 502 VHF Sets were purchased under barter of which 72 were found faulty. The purchase was made after the former DG T&T has satisfied himself that they were useful. There was however nothing on record to show that proper trials were conducted before making the purchase. The Committee directed that either the explanation of those who accepted the Hungarian barter should be obtained or it should be established that the equipment was thrust upon the Department by pressure.

2.3.38. *Doubtful expenditure of Rs.* 501,495 (*Para* 6.2, *page* 110-*AR-PT&T*).—Audit pointed out that cash expenditure of Rs. 501,495 was incurred on certain works without any stores having been issued which leads to the doubt that the works were not actually carried out and payments were made. Department in its reply stated that stores had been issued but proper accounting was not done. The Committee directed that an inquiry should be held in this case

2.3.39. *Irregular payment of casual labour* : *Rs.* 3.78 *million* (*Para* 7.1, *page* 114-*AR-PT&T*).—Audit reported that casual labour was employed for maintenance of telephone exchange equipment as a regular feature in addition to employment of regular establishment in 1980-81 resulting in an irregular expenditure of Rs. 3.78 million. Department explained that casual labour was being reduced gradually. The expenditure on this account was only Rs. 72 lakhs during 1982-83 and Rs. 60 lakhs in 1983-84. There was still some misuse and the Department intended to further reduce it to Rs. 40 or 50 lakhs. The Committee directed that this problem should be watched while undertaking audit in subsequent years.

2.3.40. *Payment of Rs. 1.427 million without proper record and details of work done (Para 7.2, page 116-AR-PT&T).*—Audit reported that payments of Rs. 1.427 million was made to casual labour in 1980-81 without proper record and details of work done. The DG PT&T assured the Committee that proper record was now being maintained and would be maintained in future. The Committee asked the Department to improve its internal control and discipline and to ensure that the proper record is being kept.

2.3.41. *Blocking of Capital due to non-installation of Plant and Machinery valuing Rs. 20.2 million (Para 9.1, page 121-AR-PT&T).*—Plant and machinery valuing Rs. 20.2 million was imported from Sweden under commodity exchange programme in 1977 for the establishment of a duct factory for which there was no provision in any approved project. The machinery was never used and a major part of it was lying in the open. More than 12 million Rupees have since been paid as interest on this investment.

The Committee was not satisfied with departmental explanation and directed that an inquiry should be held as to why it was imported when there was no provision in any approved project and responsibility for the inefficient management should be fixed.

2.3.42. *Blocking of Capital Rs. 3.6 million (Para 9.2, page 121-AR-PT&T).*—Stores valuing Rs. 3.6 million were procured against a foreign loan but were not utilized for five years thus blocking the capital. Departmental representative explained that in this case they merely functioned as a Contractor and the responsibility for delay in installation of imported machinery rests with the Planning Division.

The Committee was not satisfied with the explanation and expressed its displeasure in the manner in which Government Investment remained blocked.

1982-83

2.3.43. *Loss due to providing new connections in favour of disconnected telephone subscribers : Rs. 143,621 (Para 8.9, page 63-AR-PT&T).*—3 Telephones were disconnected in 1982 due to non-payment o bills amounting to Rs. 143,621 in Multan. Later on, the Divisional Engineer installed five new telephone in the same name and premises without realizing outstanding dues and restoration fee from the dafulters.

The Departmental representative stated in reply that Rs. 95,427 had since recovered in respect of one telephone and the recovery action in respect of other two connections was pending in a court of law.

The Committee directed that those responsible for irregularity should be suspended straight away and disciplinary action against them should be immediately initiated.

2.3.44. *Loss of Revenue due to delay in providing new connections : Rs.* 13.198 *million* [*Para* 2 (*a*), *page* 70-*AR-PT&T*].—T&T Department installed new exchanges in Gulshan-i-Iqbal Karachi, Karachi Cantt, Korangi and SITE Sukkur but the new connections were provided at a slow pace resulting in probable loss of revenue of Rs. 13.198 million. The Department explained that it takes some time to sanction and install a telephone connection after observing necessary formalities.

The Committee was not satisfied with the view-point of the Department and after detailed discussions directed that a report should be prepared examining ways and means to avoid delays in sanctioning telephone connections.

2.3.45. *Loss due to non-acceptance of lowest tender Rs.* 296,000 [*Para* 2 (*e*) (1), *page* 80-*AR-PT&T*].—General Manager KTR Karachi invited tenders for purchase of teak-wood in June, 1982. The lowest tender of Rs. 2.034 million was rejected as the sample was not provided by the bidder alongwith the bid. The second bid which was higher by Rs. 296,000 was accepted although there was nothing on record to show that any of the bidders had provided samples.

The Committee after detailed discussions directed that the Department should hold an inquiry in this case to determine if the teak wood was purchased and utilized at all.

2.3.46. *Loss of Rs.* 1.868 *million due to irregular extension in contract period* (*Para* 3.1, *page* 84-*AR-PT&T*).—Controller of Telegraph stores Karachi awarded a contract to a firm for clearance and carriage of stores from March, 1979 to February, 1980. The contract was extendable upto one year but the firm was granted extensions on one pretext or the other upto June, 1982. On intervention of Director General the tenders were called which resulted in marked reduction in rates. The government was therefore put to loss of Rs. 1.868 million in this account.

After hearing the Departmental point of view the Committee directed that disciplinary action should taken against the officers responsible for the irregular acts.

2.3.47. *Dubious expenditure on muster rolls* : *Rs.* 159,618 (*Para* 5,5, *page* 97-*AR-PT&T*).—A Divisional Engineer employed labour for day to day tracing and rectification of faults of underground cable. The work orders were issued every month as a regular feature for 2 years and the diaries of the work done prepared by the supervising officer were not legible.

The Committee directed that the case should be inquired into and Report submitted.

2.3.48. *Blocking of government money Rs.* 25.232 *million* (*Para* 12.2, *page* 113-*AR-PT&T*).—An expenditure of Rs. 25.232 million was incurred upto November, 1982 on procurement of equipment for installation of 8000 lines EMD exchange in replacement of an old exchange. The equipment arrived in April, 1981 but the installation did not commence till November, 1982 as the building structure was not found suitable. The equipment worth Rs. 17 million was utilized on other projects and the equipment for Rs. 8 million was still lying unused.

The Committee directed that a joint inquiry comprising representatives of Audit and T&T Department should be conducted and a report submitted to it.

Audit Report 1983-84

2.3.49. *Loss of Revenue due to not charging/less charging of trunk calls and short billing Rs.* 836,475 *and Rs.* 121,866 (*Para* 8.2 *and* 8.3, *page* 173-*AR-PT&T*).—Audit, as a result of sample scrutiny carried out in 15 revenue offices pointed out a loss of Rs. 836,475 was sustained by the Department by not charging/less charing of trunk calls and another loss of Rs. 121,886 by short billing in five months at a revenue office. The Department stated in reply that a sum of Rs. 172,224 has since been recovered and efforts were being made to recover the remaining amount from the subscribers.

The Committee was not at all satisfied with the response of Department and observed that internal controls of the Department had completely failed. The Committee asked Secretary Ministry of Communication to look into this aspect seriously and take effective remedial measures failing which leakages will know no bcunds.

2.3.50. *Unauthorized expenditure of Rs.* 71 *million incurred in excess of sanctioned estimates and expenditure of Rs.* 4.2 *million against unsanctioned estimates* (*Para* 4.1 *and* 4.4-*AR-PT&T*).—Audit pointed out that in 21 formations of the T&T Department, Rs. 71 million was incurred in excess of sanctioned estimates beyond 10 per cent during 1981-82 to 1983-84. An expenditure of Rs. 4.2 million was also incurred without any sanctioned estimates and allotment of funds during the year.

The Committee took a serious view of the situation, which was a total dis-regard of the regulatory framework. The Committee directed that the responsibility for this financial indiscipline should be fixed and those found responsible should be taken to task.

1984-85

2.3.51 *Non-accountal of stores valuing Rs.* 29.807 *million* (*Para* 6.6-*AR-PT&T*).—Stores valuing Rs. 29.807 million received by 32 formations during 1983—85 were not accounted for in the numerical account, which could make the misappropriation of stores possible.

The Department replied that the accountal of these stores was in progress. The representative of the Department further stated that it was a case of negligence and inventory management system was being tightened up to improve the situation.

The Committee took a serious view of the situation and directed that strict instructions should be issued for accountal of stores. The procedure should also be streamlined and computerization of inventory accounts may be considered.

2.3.52. *Blocking of capital—Rs.* 5.1 *million* [*Para* 6.7 (*a*)--*AR-PT&T*]—Imported cable valuing Rs. 5.1 million allocated to a development division in 1981-82 in excess of actual requirement had remained unutilized.

The Department in reply had stated that an enquiry in the case had been ordered.

The Committee was not satisfied with the reply and observed that the Department should come well prepared. The examination of the case was deferred.

2.3.53. *Loss of Rs.* 4.1 *million due to ineffective implementation of the agreement* (*Para* 6.8-*AR-PT&T*).—A formation awarded a contract for supply of 1920 metric tons of M.S. Sheets in May, 1983 The firm was required to supply the material in 4 months time. It could, however, supply 100 M. Tons within the contract period extended up to March, 1984 when the contract was cancelled at the risk and cost of the supplier. The Department did not encash the bank guarantee of Rs. 793.000 when the supplier filed a suit. Excess expenditure of Rs. 4.1 million was incurred in procurement of supplies from another firm.

After hearing the departmental view point, the Committee directed that an enquiry should be conducted into the matter and responsibility fixed.

2.4. NATIONAL HIGHWAY BOARD

Expenditure incurred on maintenance of Kurakuram Highways

2.4.1. While examining the Appropriation Accounts of the Ministry of Communication, it was noticed by the Committee that there was always an excess expenditure being incurred on maintenance of Kurakuram Highway. Secretary Communication explained that while the funds for maintenance of Highways were demanded as per requirements but even 50 per cent of the requirements were not being met due to resource constraints. He further stated that National Highway Board has worked out a formula in this regard which could not be implemented as it was not approved by the Finance Division. Allocations for Kurakuram Road were thus being made on flat rate basis although special consideration was given to this road. The resources provided were however not sufficient. The Road was being maintained by Frontier Works Organization as no civil department could maintain it.

2.4.2. The Committee after hearing the point of view of Finance Division, FWO and other concerned agencies directed that the Ministry of Communications, Finance and Planning Divisions and the Auditor-General of Pakistan should get together and evolve a system for allocation of funds and its distribution for Kurakuram Highway in a manner that no excess expenditure is incurred by FWO and their emergent requirements are also met.

Third IBRD Highway Project Lahore-Pattoki, Pattoki-Sahiwal

2.4.3. The Auditor-General reviewing the performance of the project stated as under :—

(i) The project road is situated in the flat extensively irrigated area the alignment of which passes through the towns of Bhai Phero, Pattoki, Reenala Khurd, Okara and Sahiwal. The project had a maximum embankment of an average height of 0.3 meter of surface level and at certain areas water courses were at higher level. It was, therefore, susceptible to damages by seepage/floods during rainy seasons. In the absence of drainage along the road, the water-logging further aggravated its benefits.

(ii) The rehabilitation of this road as a project was approved initially at a cost of Rs. 459,886 million. As a result of increase of cost in the project, the PC-I was revised at the estimated cost of Rs. 678.106 million including 45 million Foreign Exchange component. Within the framework of the improvement of the transportation system in the country as the basic aim of the project, the improvement of this road was expected to result in :

— Improving the economy of the area which has good potential of agricultural resources.

— Providing fast and safe means of road communication between important towns.

— Serving the administrative and commercial areas.

(iii) *Planning.*—The work on the project was to commence in June, 1979 as per approved schedule. It was delayed initially by a year because of tendering problems. The progress especially during the first two years (due to delay in mobilization and shortage of machinery) was very slow. The completion programme was re-scheduled to June, 1984 and thereafter to December, 1984.

— The contracts on the project were awarded to a single contractor M/s. Saadullah Khan and Brothers being the lowest bidder. Tenders were accepted in January, 1980. The contract agreements were executed in June, 1980 though required to be executed within one month after the acceptance of the tenders.

The works on both the sections of the road were started simultaneously by the contractor ; he could not manage to follow the approved schedule. Subsequently, it had to be decided at a later stage to abandon the work of Pattoki-Sahiwal till the work of Lahore-Pattoki section was completed. Delay in completion resulted in cost escalation; from Rs. 459.886 million to Rs. 678.106 million.

(iv) *Implementation.*—The work was to be completed in 26 months; it was started on 15th August, 1980. The first section of the road (Lahore-Pattoki) was to be completed by 14th October, 1982 and the second section (Pattoki-Sahiwal) by 14th August, 1983. Completion of both the sections of the road was 31st December, 1983 and 31st December, 1984. According to the Progress Report the reasons for delay in completion of work;

— No systematic work plan was prepared.

— Machinery units like Bulldozers, Graders, front end loaders, dumps, trucks, prime movers for heavy sheeps foot rollers and compaction equipments were inadequate and were arranged with delay

— Contractors were not doing any pretesting of their work prior to presenting finished work to consultants for acceptance.

— Contractors were not fulfilling specifications and requirements for asphalt concrete and cement concrete works which resulted in both lack of progress and increase in percentage of rejected work.

— Site engineers and other supervisory staff were not assigned specified duties with the result that idea of accountability was totally missing.

— As per revised construction schedule 72 per cent work was required to be completed by 30th June, 1984 whereas the progress was only 62 per cent project most of the traffic diverted to alternative routes of Lahore-Kasur-Multan and Lahore-Faisalabad-Multan. This necessarily resulted in extra expenditure due to fuel consumption on alternate routes, extra maintenance and damage of road because of heavy traffic on single roads.

The increased in cost of civil works is Rs. 204.077 million (46.82 per cent of the original cost) due to the following reasons :

(*Rs. in million*)

— Additional cost for import of bitumen	..	37.371
— Treated shoulders ..	.. .. ..	39.200
— Change in design ..	.. .. ..	14 643
— Increase in quantities	.. .. ..	92 863
— Escalations	.. ..	20 000
Total	..	204.077

— Consequent on delay on execution of agreement the initial escalation of Rs. 9.000 million was provided in the contract agreement. This was certainly an extra burden on the project and could be avoided if efficiently handle.

(v) *Design Change.*—During execution it was decided to modify the design of sub-grade in view of the prominent rise in the sub-soil water level. The sub-soil water was already down and presence of salt was also there which the planners ignored. This increased the cost and delayed the benefits of the project. This factor gave a leverage to the contractor to give revised construction schedule.

(vi) *Defective Construction.*—Despite quality control tests by NESPAK before accepting the work as completed by the contractor, it was observed that certain portion of the road have become bumpy. The brick-pavements were badly damaged. These factors were also highlighted in the Press.

It has been conceded that " the award of contract was delayed due to unavoidable reasons " and the initial slow progress in two years was due to death of Managing

Director of the Construction Firm, mobilization period of 45 days was not enough, the contractor was Pakistani with no previous experience of Highway construction and "improper design is also one of the reasons for initial set back" The findings of the Report and the recommendations *inter alia* merit considerations which have been accepted by the Ministry. It would not be out of place to enumerate below the findings as well as the recommendations ;

(vii) ***Findings*** :

— Improper Planning resulted in delay in start/completion of project due to which extra cost had to be incurred on account of escalation and change in design amounting to Rs 20.000 million and Rs. 53.843 million respectively.

— Initial delay in execution of agreement with the contractors within the stipulated period had resulted in payment of initial escalation amounting to Rs. 9.000 million to the contractors.

— Funds were not released according to the annual allocation during the entire period of execution of the project except the starting year *i.e.* 1979-80. Overall Rs. 406.954 million were released upto the year 1983-84 against total allocations of Rs. 674.482 million which adversely affect the physical progress of the project.

— Direct/indirect benefits expected to be achieved by public from the year 1983-84 had been delayed for about two years and these benefits are now expected from the year 1985-86. Annual loss in the shape of benefits foregone amounts to Rs. 60.000 million.

Due to abnormal delay in completion of the project the alternative routes adopted by the diverted traffic were badly damaged as the traffic on those routes was far more than the capacity of those single roads. Heavy expenditure will now be required to be incurred for extra ordinary repair/maintenance or those roads.

— Defective construction of road as well as brick pavement of the side shoulders of the road was observed due to which certain parts of the road had become bumpy and cracks are also visible.

— Due to improper maintenance of traffic route during construction, traffic on the route was discouraged and the anticipated benefit from the completed portion of the road could not be achieved.

2.4.4. The Committee, after discussions, directed that the Department should produce all the papers relating to the project and the Committee would like to investigate into the project in more depth.

Quetta-Taftan Road

2.4.5. The Committee was not satisfied with the quality of construction and maintenance of Quetta-Taftan Road and asked the National Higaway Board to submit a detailed report on the proiect.

2.5. OTHER ORGANIZATIONS

Karachi Shipyard and Engineering Works Limited (KS&EW)

2.5.1. The working results oi Karachi Shipyard and Engineering Works Limited (KS&EW) for the years 1981-82 to 1984-85 are given below:

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales including subsidy and rebate ..	282.967	273 664	249.771	212.861
Cost of Sales	268.735	223 089	211 399	187.703
Gross profit	14.232	50.575	38 372	25.158
Net profit (ioss)	(53.921)	(42.175)	(69.587	(102.463)
Accumulated Loss	29.018	71.193	140.780	243.243

2.5.2. In 1984-85 the government provided a grant of Rs. 83.779 million to cover operational losses. Thus the accumulated loss at the close of the year was reduced to Rs. 159.465 million.

2.5.12. The Committee was informed that the Port Qasim has an investment of Rs. 360 crores and as such the financial charges were quite heavy. Besides, the service charges of Karachi Port Trust were lower as compared to Port Qasim. The Committee was not satisfied with the explanation provided by the Management and was of the view that financial restructuring would not provide a long-term solution to the problem. To ensure future viability of the Port, the Government will have to take certain long-term decisions. The Committee asked the Planning Division to carry out a study as to how, Port Qasim project could be made a viable, self-sustaining organization.

National Tanker Company (Pvt.) Limited

2.5.13. Although the net profits of the Company showed a decreasing trend, the overall performance of the Company was satisfactory.

3. MINISTRY OF COMMERCE

3.1. Appropriation Accounts of Ministry of Commerce for 1981-82 were examined by Public Accounts Committee on 6th January, 1985. The Committee was, however, dissolved before finalizing its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the Reports of the Auditor-General of Pakistan thereon were examined by the Standing Committee on Public Accounts on 31st August, 1986 and 1st April, 1987.

3.2. The views of the Committee regarding regularization of excess expenditure are discussed in its report on Ministry of Finance, which has been laid before the National Assembly.

3.3. The Committee had a detailed discussion about the performance of Commercial Attaches in Pakistan Missions Abroad with the Secretary Commerce. During the discussions it transpired that a limiting factor in the improved performance of commercial sections abroad was the manning of a number of jobs from amongst the officers of other than the trade group which had no back ground of dealing with the business groups inside or outside the country. The

Committee was of the view that the manning of all trade promotion jobs abroad should be made from the trade group officials so that they are fully accountable for their performance to the Ministry.

3.4. The Committee also noticed that although the funds for payment of export rebate were provided under a grant controlled by Ministry of Commerce, the expenditure was neither reconciled by the Ministry nor effectively controlled. Although the scheme of compensatory rebate on exports has been discontinued from 1986-87, it was observed by the Committee that the rebate's on Federal Taxes were being exhibited as a deduction from Federal Tax Receipts. As such the rebates allowed from the Federal Revenues, were not being subjected to Legislative approval as expenditure. The Committee recommends that Finance Division should examine this aspect and take corrective measures, if necessary.

3.5. On a question raised by the Committee, the Secretary Ministry of Commerce stated that Carbon Black Industry was not being provided due protection by the Government. As a result of which it was facing tough competition from foreign manufacturers.

The Committee asked the Ministry of Commerce that the issue should be examined and the Industry should be provided due protection.

3.6. A review of the autonomous and semi-autonomous organizations under the administrative control of Ministry of Commerce has been made in succeeding paragraphs.

COTTON EXPORT CORPORATION OF PAKISTAN

3.7. The working results of the Corporation for the four years under review were as under :—

(Rs. in million)

Year	Net pretax profit (loss)
1981-82	(237)
1982-83	77
1983-84	46
1984-85	(72)

3.8. Profit and loss Account for the year ending on 30th June, 1985 exhibited an accumulated loss of Rs. 69.546 million as against the paid up capital of Rs. 50 million which has since been completely eroded. As a result, the Corporation mostly depended on bank over-drafts for its operations, entailing heavy financial expenses. The short-term borrowings of the Corporation from banks thus increased from Rs. 114 million as on 30th June, 1984 to Rs. 3522 million on 30th June, 1985. The Corporation thus appeared to be in serious financial trouble.

3.9. The Committee noted with concern the financial position of the Corporation and felt that it needs financial restructuring to reduce its' dependence on borrowings. The Committee recommends that the Corporation should also be allowed to avail soft term loans from banks for its exports operations as being provided to exporters in private sector.

3.10. As per accounts of the Corporation for 1981-82, a recovery of Rs. 3.149 million was outstanding against M/s. Saigol Group of Industries. The Committee asked as to why this amount had not so far been recovered. The management replied that M/s. Saigol Group of Industries had accepted the liability on behalf of Kohi-Noor Textile Mills. The Committee asked the Management to apprise it of further progress.

EXPORT CREDIT GUARANTEE SCHEME

3.11. The Export Credit Guarantee Scheme was established in 1962, under the management of Pakistan Insurance Corporation for providing cover against risk of non realization of sale proceeds of goods exported on credit terms. In March 1982, the Government authorized the scheme to issue policies indemnifying Pakistani based or sponsored firms undertaking construction projects abroad.

3.12. The working results of the schemes for the years under review are as under :—

(*Rs. in million*)

	1981	1982	1983	1984
Amount insured	92.2	542.51	686.03	716.61
Premium Receipts	0.865	2.497	3.517	0.357
Claims paid and Outstanding ..	0.619	1.592	3.936	2.137
Management expenses	0.396	0.524	1.402	1.618
Underwriting (loss)/profit ..	(0.150)	0.381	(1.821)	(0.698)
Investment Income	2.456	2.803	3.443	3.748
Net Profit	2.306	3.184	1.622	3.050

3.13. The scheme was thus showing a consistent profit trend. Since the basic idea of the scheme was to provide support to the exporters against risk of exports on credit, the Committee recommends that the tariff structure should be re-adjusted to provide the facilities to the exporters at reduced cost.

NATIONAL INSURANCE CORPORATION

3.14. The working results of the Corporation for the years under review were as summarized below :—

(*Rs. in million*)

	1981	1982	1983	1984
Direct Premium	484.25	540.5	580.9	652
Retained Premium .. —	230.67	193.9	252.4	404
Net Claims .. .. —	56.61	55.1	69.2	127
Management Expenses .. —	22.05	22.4	29.9	31
Underwriting Profit .. —	105.95	112.6	122.6	123
Investment Income .. —	55.00	60.019	61.030	73
Net Profit .. .. —	160.95	183.1	183.2	196

3.15. The net profit of the Corporation for the three years 1982 to 1984 was constant if income from investments is excluded. The overall financial position of the Corporation was however satisfactory.

PAKISTAN INSURANCE CORPORATION

3.16. The working results of the Corporation for the years 1981 to 1984 are summarized below :—

(*Rs. in million*)

	1981	1982	1983	1984
Net Premium	369	414	388	372
Net claims	196	211	238	211
Management Expenses	10	11	15	14
Underwriting Profit	29	24	20	23
Investment Income	38	45	51	56
Net Profit	71	74	68	76

3.17. Although the Corporation was earning profits consistently, the major share of the profit was accruing from investment income. The Corporation however sustained substantial losses in miscellaneous underwriting business during the years 1983 and 1984 due to heavy claims. Effective steps need to be taken to improve the position in this regard.

3.18. The Corporation also invested a sum of Rs. 663,236 in the shares of the following companies during 1963 to 1974 :

(1) Synthetic Chemicals.

(2) Mack truck.

(3) Elmac Limited.

(4) Universal Oil.

(5) Koh-i-Noor Oil.

3.19. No dividend could be earned on above investments. It is recommended that the shares be disposed of if possible.

PAKISTAN TOBACCO BOARD

3.20. The working results of Pakistan Taboeco Board for the years under review were as summarized below :—

(Rs. in million)

Years	Excess of income over expenditure
1981-82	3.40
1982-83	5.652
1983-84	4.186
1984-85	2.34[illegible]

3.21. The decrease in excess of income over expenditure was mainly due to increase in management expenses and decrease in the amount of government grant.

RICE EXPORT CORPORATION

3.22. The working results of the Corporation for the four years are tabulated below :—

(Rs. in million)

	1981-82	1982-83	1983-84	1984-85
Sales	4253	3720	5763	3461
Cost of Sales	2704	2818	4321	2620
Operating profit	1128	516	518	366

3.23. The operating profits of the Corporation therefore showed a decreasing trend over the years which needs attention of the government.

3.24. The Government investment in the share capital of the Corporation rose from Rs. 2.5 million to Rs. 134.521 million during the period under review.

3.25. *Infructuous expenditure of Rs.* 3.088 *million (Para* 7-*ARCA*-1982-83).—M/s. NESPAK was engaged by the Corporation to plan, design and supervise certain House Type Godowns and a sum of Rs. 3.088 million was advanced for their services. The scheme was later on abandoned and instead construction of Bini-Shells type godowns was undertaken. The expenditure of Rs. 3.088 million thus proved infructuous.

3.26. The management accepted that contract to NESPAK was assigned before the approval of the project by ECNEC.

3.27. The Committee conveyed its displeasure to Secretary Commerce and asked him to re-verify if the payment to NESPAK was in order.

3.28. *Loss of Rs.* 4.2 *million due to supply of sub-standard Rice (Para* 8-*ARCA*-1984-85).—RECP supplied 1500 M. Tons on Basmati Rice to a customer in Saudi Arabia in 1982. On a complaint from the buyer, the Corporation replaced 500 tons rice valuing Rs. 4.2 million free of cost. The enquiry which was held after two years revealed that the damage was caused by sea water for want of proper protection, although the deal was on FOB basis.

3.29. The Corporation maintained that the replacement was made merely to maintain good relations with the customer. Secretary Commerce, however, did not agree with the views of the management and was of the opinion that the management had exceeded its powers.

3.30. The Committee directed that a case should be registered with the FIA against those found responsible and progress reported to the Committee.

DUABA RICE MILLS LIMITED

3.31. The Company was established in 1975 with the objects of carrying on business of rice husking, shelling, procuring and packing under the control of Punjab Industrial Development Board. The Company was taken over by Rice Milling Corporation in 1976. The Company was finally transferred to Rice Export Corporation in December, 1978 after sustaining heavy losses. In 1983, accumulated losses of Rs. 140.723 million were waived of by the Rice Export Corporation. The Company however incurred an additional operating loss of Rs. 6.055 million in 1983-84. This was despite the fact that interest charges amounting to Rs. 17.572 million were not recovered by the Rice Export Corporation.

3.32. The project was therefore continuously running in losses and there were no possibilities of its conversion into a viable project in near future. The Committee therefore recommends that the government should investigate into the affairs of the Company and may consider its disinvestment if it is felt that it can not be run profitably.

PAKISTAN NATIONAL PRODUCE COMPANY LIMITED

3.33. Pakistan National Produce Company Limited (PNP) was established in 1970 under the control of Pakistan State Oils. In 1976, the Company was taken over by Rice Milling Corporation. The Company was transferred back to Pakistan State Oil, in end 1977, when Rice Milling Corporation was dissolved. In end 1978, the company was transferred to Rice Export Corporation.

3.34. The Company had an accumulated loss of Rs. 234.579 million upto 31st August, 1984 of which Rs. 211.965 million *i.e.* the losses sustained upto 31st August, 1983 had been waived off by the holding Company. This however did not help much in improving the financial position of PNP as it sustained a loss of Rs. 22.614 million during the year 1983-84.

3.35. The Committee therefore recommends that the government may consider the closure of the Company to avoid further losses.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

3.36. The working results of the State Life Insurance Corporation of Pakistan for the four years are summarized below :—

(*Rs. in million*)

	1981	1982	1983	1984
1. Income ..				
(i) Premium income ..	731.0	909.4	1127.8	1311.0
(ii) Investment income ..	364.5	465.6	541.2	658.5
	1095.5	1375.0	1669.0	1969.5
2. Expenses				
(i) Payment to Policy holders ..	470.0	554.7	595.6	685.9
(ii) Commission to Agents ..	133.6	166.4	222.5	289.6
(iii) Administrative expenses ..	136.7	132.9	165.4	183.5
	740.3	854.0	983.5	1159.0
Net Income	355.2	521.0	685.5	810.5

3.37. The financial position of the Corporation was therefore satisfactory.

TRADING CORPORATION OF PAKISTAN

3.38. The operational results of the Corporation for the four years were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
1	2	3	4	5
Sales	3608.11	3429.14	621.548	660.934
Cost of goods sold	3508.67	3365.57	601.840	645.934
Gross Profit	99.44	63.57	19.707	15.000

1	2	3	4	5
Other income	—	—	42.197	46.685
Administrative expenses	23.41	26.26	29.254	32.962
Export Promotion expenses ..	—	—	1.437	4.655
Operating profit	76.04	37.31	31.173	24.028

3.39. The financial statistics indicate that the Trading Corporation of Pakistan was not financially in a sound position and was not able to meet even 50 per cent of its administrative expenses from the gross profits. A major factor in this regard was that in the years 1983-84 and 1984-85, it lost its major import business. The Corporation during these years tried to go into export trade but due to ineffective management, could not succeed. The Committee was informed by the Commerce Division that the position of TCP has improved in recent years.

3.40. A summary of specific irregularities pertaining to Trading Corporation of Pakistan are discussed in succeeding paragraphs.

3.41. *Loss of Rs.* 1.743 *million on import of Caustic Soda (Para* 8-*ARCA*-1982-83).—Caustic Soda for Rs. 15.989 million was imported by TCP in April, 1981 which was sold in October, 1981 for Rs. 14.246 million resulting in a loss of Rs. 1.743 million. The loss was due to delay in disposal and due to damaged condition of the cargo, attributed due to defective packing.

3.42. The management stated in reply that Caustic Soda was imported to meet acute shortage in the country. It was however, subsequently found that the survey certificate was incorrect. There were pits and holes in the drums and the contents had been affected. The Corporation has filed a suit in the High Court, against the concerned agency.

3.43. The Committee was not satisfied with the reply and directed that departmental action should be taken against the concerned officials.

3.44. *Loss of Rs. 2.257 million on improper procurement of Mangoes* (*Para* 8-*ARCA*-1983-84).—TCP incurred an expenditure of Rs. 5.169 million on export of mangoes and realized only Rs. 2.912 million out of it. The venture thus resulted in a loss of Rs. 2.257 million due to lack of planning in procurement and non-coordination of purchases with exports.

3.45. The management explained that this was first attempt to export fresh fruit and the Corporation was deceived by fake customers. The case was already under enquiry with Prime Minister's Inspection Team.

3.46. The Committee desired that the report of the PM's Inspection Team should be submitted within one month.

Other Cases

3.47. The Committee asked the Ministry of Commerce to submit detailed reports on the following deals/expenditure by TCP in its next meeting :

— Loss of Rs. 10.28 million on Butter Oil imported in 1983 for Ministry of Industries which failed to lift the same and ultimately sold at much below purchase price.

— Loss of Rs. 7.79 million and unjustified payment of Commission of Rs. 0.384 million on Jute imported from Bangladesh in 1985. RECP's tender was for local purchase but TCP on wrong advice of Consultants imported the same. Delay in import/supply caused payment of liquidated damages of Rs. 7.79 million.

— Loss of Rs. 4.830 million on Chick Peas imported in 1982-83 for PASSCO without any Bank guarantee/performance bond. PASSCO did not lift the consignment which was ultimately sold at a loss of Rs. 4.830 million.

— Blockage of Rs. 93.95 million on M.S. Billets imported for Metropolitan Steel Corporation and Hashoo Steel without obtaining Bank guarantee. Both the parties did not lift the billets. Resultantly Rs. 93.95 million were blocked.

— Unproductive Investment of Rs. 70.394 million in Finance and Trade Centre Karachi by acquiring 50 per cent more space than required at an exorbitant rate.

— Extra expenditure of Rs. 1.41 million on Urea Fertilizer exported to Bangla Desh. Expenditure caused due to higher rate of commission paid to Agent although business was not obtained through him.

— Construction of a pre-fabricated pavilion in Pakistan International Trade Fair Karachi, 1984 costing about Rs. 1 million without proper technical know how, incurring substantial loss on its sale.

— Loss of more than Rs. 4 million on participation in Trade Fairs and Exhibitions in foreign countries on account of heavy expenditure and much less realization of sale proceeds during 1983-84.

— Import of Brown Sugar.

— Loss of Rs. 0.600 million on export of Kinnos worth Rs. 3.741 million in 1983-84 which could only fetch Rs. 3.251 million as owing to bad planning of despatch, Kinnos costing Rs. 0.751 million were damaged in transit. Further Rs. 0.110 million incurred on despatch of a large quantity of 3410 Kgs as samples. Thus loss of Rs. 0.600 million sustained by TCP.

3.48. The minutes of the proceedings of the Committee are placed at Annexure 'B'.

4.1. DEFENCE DIVISION

4.1.1. Appropriation Accounts of Defence Division for 1981-82, 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 26th March, 1986, 2nd September, 1986, 6th April, 1987, and 27th July, 1987, respectively.

4.1.2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

4.1.3. The Committee noted that the accounts of the Defence Division did not provide any operational details. The reason attributed to this situation was that the budget allocation for the Defence Services was submitted to the legislature in lump *i.e.* the budgetary allocation under the grant for the Defence Service as laid before the National Assembly and as approved by it contained no object-*cum*-functional details. Since the accounts follow the budget, no such details are compiled by the Military Finance and certified by the Auditor-General.

4.1.4. The Committee examined this question in detail. There were arguments both in favour and against the existing practice of budget formulation, presentation and approval. The conventional argument in support of the existing practice was that the defence of the country was a sensitive subject and as such as little information as absolutely necessary and possible should be made available about the outlay on defence services. The arguments against the existing practice were : (a) that the people of the country had a right to know the major directions and priorities in Defence spending so as to have a confidence that their country was adequately equipped to defend its territories against any external agression. (b) The legislature being the representative of the people has a right to know how the funds placed at the disposal of Defence Services were being utilized and (c) In modern world there are very few informations which are classified. If therefore, we don't keep our people informed of our defence potential, it does not mean that the others do not know about it. For instance the number of strategic arms and equipment and conventional machines in different countries of the world are now publicly compiled internationally and comparative data about them is available all over the world. Why should therefore we keep only our people in the dark ?

4.1.5. The Committee thus evaluated the arguments both in favour and against the existing practice of one line budgeting for defence services and concluded that it was not in the best interests of the country. The confidence of the people is based on the information they have. If they feel that the resources made available by them are not being effectively utilized for furtherance of the objectives for which they are meant, they would resist parting with such resources. If, however, they know that an expenditure is essential for their security and safety, they would gladly come forward to share the burden. It is therefore not only in the interest of the nation but also in the interest of Defence Services that adequate information is made available to the people through the legislature about the major directions in defence spending. The Committee also examined the accounts of a few countries like U.K. which it could come across and noticed that their accounts provided much more details about the outlay on their defence services.

4.1.6. The Committee therefore recommends that the existing pattern of defence budgeting should be dispensed with and the budget should provide basic information about the quantum of expenditure on various functions and objects under the defence services, as is the practice on the civil side. This would not only provide some basic information about the structural and functional aspects of the defence services to the people but would also provide an opportunity to the defence policy makers to evaluate the composition of the overall defence spending.

4.1.7. The Committee was also not satisfied with the quality of Audit Report on Defence Services, as it mainly concentrated on civil works executed by Military Engineering Services. As a matter of fact, construction of civil works was not a major activity in Defence Services. Besides, the major areas of attention were not the extent of internal controls in the execution of civil works but also an evaluation of overall need assessment of civil works, the quality of their execution and the comparative cost of such works *viz-a-viz* the civil administration. The Committee therefore suggested to the Auditor-General to re-assess and re-define his role in reporting on the economy, efficiency and effectiveness of the Defence expenditure. An important area that the Committee suggested in this regard was the inventory management and purchase procedure. The Auditor-General while agreeing with the views of the Committee regarding broadening and deepening of Audit approach stated that one of the major bottlenecks in this regard was that the classified purchase agreements were not being produced to Audit. The Committee confronted Secretary Defence with this situation who assured that all the classified purchase contracts will be produced to Audit hence-forth. It was further decided that in case there was any resistance from any quarter the Auditor-General and Secretary Defence would try to resolve it at their own level, and may come upto the PAC, if necessary.

4.1.8. The Auditor-General in his report pointed out certain cases which were tentamount to undue favour to certain social and welfare organisations sponsored by defence services. While the Committee expressed its concern on these cases, a major question that cropped up was as to why the welfare organisations like Fauji Foundation, Shaheen Foundation and Bahria Foundation which have been established under charitable endowments Act, and which for all practical purposes were Government sponsored organisations, were not being audited by the Auditor-General of Pakistan and why their annual reports were not being laid before the legislature. The Committee requested the Auditor-General to examine this question and to report the reactions of these organisations on this issue to the Committee.

4.1.9. Another such organisation whose accounts were not submitted before the Committee was the Defence Officers Housing Authority, Karachi which had been established by the Federation.

The Committee requested the Auditor-General to inform it as to why the aforesaid authority was not being audited by him and, why the accounts were not being laid before the legislature.

4.1.10. Some of the serious irregularities that the Committee came across while examining the Report of Auditor-General for the Accounts for the year 1981-82 to 1984-85 discussed in succeeding paragraphs.

Audit Report 1981-82

4.1.11. *Non-recovery of Risk and Cost from defaulting contractors—Rs.* 2.19 *million* (*Para* 1).—During 1973 to 1978 civil works costing Rs. 1.74 million and supply of furniture costing Rs. 0.45 million, were executed/purchased at the risk and cost of defaulting contractors, the recovery of which could not be effected despite lapse of considerable time.

The Committee viewed that the delay in recovery of Government dues was a serious omission and directed that the Ministry of Defence should take necessary steps to streamline their procedure to ensure that appropriate action was taken in such cases.

4.1.12. *Demolition of Works already done due to delayed alterations in design—Rs.* 1.03 *million* (*Para* 3).—Certain M.E.S. formations introduced alterations in the design of two projects when civil works were already in advanced stages and as a consequence the construction already made and paid for, had to be demolished. This resulted in an infructuous expenditure of Rs. 1.03 million.

The Ministry explained that in one case the work had to be abandoned due to a dispute of allotment of land on which the building was being constructed and on the other a loss statement was being prepared to regularize infructuous expenditure.

The Committee was not satisfied with the explanation of the Executive and directed that full details of both the cases should be furnished.

4.1.13. *Acceptance of defective supplies—Rs. 0.6 million (Para 4).*—A contractor supplied defective furniture as part supply against a contract. The defects were removed at a cost of Rs. 352,320 and the remaining furniture was obtained from another contractor at an additional cost of Rs. 254,655. The recoverable amount of Rs. 607,000 was still outstanding.

It was stated in reply that the action could not be finalized as the contractor had gone to Court of Law for appointment of arbitrator and arbitration proceedings were in progress.

The Committee directed that the department should re-examine the case as there should have been provision in the contract for rectifying defects before allowing payment to the contractor. Reasons for not initiating the case against defaulting officials may also be reported.

1982-83

4.1.14. *Unjustified Escalation Awards—Rs. 64.31 million (Paras 1—8).*—The Federal Government in September, 1975 prescribed a formula for calculating price escalation payable to civil works contractors. An Escalation Award Committee headed by Engineer-in-Chief sanctioned a number of awards on the basis of guidelines prescribed by Finance Division during 1976 to 1981 in which a number of errors/omissions were committed which resulted in an infructuous expenditure of Rs. 64.31 million.

The Committee was not fully satisfied with the explanation of the Department and expressed its displeasure over the manner in which the matter was handled and directed that the audit observations should be discussed between the Secretary Defence and Secretary Finance to arrive at a reasonable decision.

4.1.15. *Outstanding ground rent against various parties—Rs. 8 million (Para 56).*—In certain Military Estate Offices, recoveries of ground rent and premium charges were not being made regularly from the lessees. Consequently an amount of Rs. 8 million was outstanding for the period 1977 to 1982.

The Department intimated that the recoveries were being effected and assured the Committee that the outstanding amount will not be written off.

The Committee directed that recoveries should be watched by Audit.

1983-84

4.1.16. *Infructuous expenditure of Rs.* 782,711 *on execution of a defective work* (*Para* 26).—A work (construction of new stone/RCC pier) was completed in 1981 at a cost of Rs. 782,711. After two months of completion, the work was completely damaged due to high tide. The contractor refused to accept the responsibility for defective work and attributed the loss to the act of God. A court of enquiry was held which did not hold anybody responsible.

At the instance of the Committee, the Department agreed to hold another enquiry and submit the report.

1984-85

4.1.17. *Non-recovery of Rent—Rs.* 2.4 *million* (*Para* 1).—A Military building was used for commercial purposes by Shaheen Foundation since 1979 without proper authorization and payment of any rent or dues which upto December, 1983 amounted to Rs. 2.4 million.

Secretary Defence admitted that proper procedures were not followed in this regard and assured rectification.

The Committee expressed its displeasure over unauthorized use of Government property and desired that a general review of all such cases be done to ensure avoidance of such occurrances in future.

4.1.18. *Construction of PAFWA Complex out of Public Funds—Rs.* 829,850 (*Para* 33).—PAFWA Complex (which was a private body) was constructed at an airforce base under the garb of a ' trolly shed ' out of public fund and no rent or other dues were recovered.

The Secretary Defence accepted that it was a very bad case and assured that the building would be returned to Pakistan Air Force.

The Committee expressed its displeasure and annoyance for the way in which this exercise was done.

4.1.19. *Unnecessary grant of price escalation—Rs.* 1.92 *million* (*Para* 46-*ARDS*-1984-85).—An order for supply of 10600 towing ropes was placed on a firm in June, 1977. Changes and rechanges in specifications gave rise to an escalation claim of Rs. 1.92 million. The Department explained that the specifications in this case were changed by the competent technical authority and there was no bad intention involved.

The Committee was not satisfied with the explanation and constituted a Committee to look into the whole affairs and suggest improvements in the system.

4.1.20. The minutes of the proceedings of the Committee pertaining to Defence Division are placed at Annexure ' C '.

4.2. DEFENCE PRODUCTION DIVISION

4.2.1. Appropriation Accounts of Defence Production Division for 1981-82 were examined by the Public Accounts Committee on 1st November, 1984 and 26th March, 1986. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 3rd September, 1986 and 20th July, 1987.

4.2.2. The views of the Committee regarding regularization of excess expenditure have already been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

4.2.3. The Committee observed that Pakistan Ordnance Factories have achieved considerable progress particularly in the last few years. It has planned and executed with expeditiousness several large projects like POF Havelian, POF Sanjwal, POF Gadwal, 12.7 mm Anti Aircraft Gun and Ammunition Factories, Tungsten Carbide Factory, Tungsten Alloy Factory, Brass Mills and a new Clothing Factory etc. Besides it has added innumerable new product lines to its existing facilities. The quantum of production has also increased manifold.

4.2.4. Although much has been achieved over the years, it is not difficult to see that the existing model of working such a complex organization is under strain due to inherent organizational weaknesses. It is therefore necessary that POFs must be given a corporate structure and its working placed on modern commercial lines. The organizational structure of POFs should therefore be on the same pattern as of most large multi-product industrial corporations. Restructuring of POFs and its Board will enable it to utilize its vast potential and play a more dynamic role in the national defence. The Committee therefore strongly recommend that POFs be converted into a corporation. While Pakistan Armed Forces should remain POFs major customers and receive the highest priority, the POFs should look to increasing its share of the export market. POFs has already made fairly good progress in exports but it needs to be given a greater boost as a part of a deliberate national policy.

4.2.5. POFs also undertakes work for the private and public (non-defence) sectors. This activity must be further increased, where feasible, as it is helpful in utilizing spare capacity and thereby reducing costs generally by wide spread of fixed costs and overheads.

Working of Self-Insurance Scheme

4.2.6. It was also observed that the Defence Production Division had made self-insurance arrangements against transit and other losses instead of entrusting this business to an specialized agency. The Committee asked the Principal Accounting Officer to furnish working paper on the costs of these arrangements and the comparative benefits derived. The Committee also directed that the Ministry of Finance should formulate a uniform policy of insurance of consignments owned by the Government.

Improvement in the Accounting System

4.2.7. The Committee also observed in its meeting of dated 26th March, 1986 that the accounting procedures of the Ordnance Factories needed to be improved for better understanding and effectiveness. A Committee was accordingly constituted, comprising the Military Accountant General, Joint Secretary Defence Production Division and Financial Advisor of POF Board and headed by the Auditor-General of Pakistan to suggest improvements in POF's Accounting System and Procedures. The Committee has submitted its report which shall be examined in the next session of the PAC.

4.2.8. Certain cases of specific irregularities are also discussed in succeeding paras.

4.2.9. *Loss due to recovery of Gas at Flat Rates—Rs.* 1.384 *million* (*Para* 37-*ARDS*-1981-82).—It was decided in October, 1975 to recover gas charges from the consumers residing in a factory colony at flat rates. Upto December, 1981 Rs. 1.844 million were paid to the gas company whereas the actual recovery from the consumers was Rs. 0.46 million resulting in a loss of Rs. 1.384 million.

The Committee was not satisfied with the Departmental explanation and directed that the meters should be installed for each consumer to avoid the energy losses and the built in subsidy.

4.2.10. *Extra Expenditure of Rs.* 1.156 *million on purchase of rectified spirit* (*Para* 10-*CADS*).—In May 1979, POF entered into a contract with a supplier for supply of 872,360 litre rectified spirit at Rs. 2.068 per litre by June, 1980. Out of the total quantity only 26 per cent quantity was supplied by June, 1980. Fresh agreement was made for the supply of residual quantity at Rs. 4.17 per litre with the same firm resulting in a loss of Rs. 1.156 million.

The Committee was not satisfied with the explanation provided bv the Department and asked the Ministry to furnish a fresh explanation as to why no action was taken against the contractor.

4.2.11. *Loss of Rs.* 548,480 *due to risk purchase of containers* (*Para* 13-*CADS*).—A formation awarded a contract to a firm for supply of ammunition containers at a total cost of Rs. 906,240. As the supplier failed to meet the commitment, the contract was cancelled and a new contract was placed on another firm at a total cost of Rs. 1,479,720 at the risk and cost of the previous supplier which were not recovered subsequently.

The Committee was not satisfied with the departmental reply and directed that the recovery should be immediately made from the contractor.

1982-83

4.2.12. *Loss due to unauthorized interpolation in a clause after acceptance of a contract—Rs.* 441,300 (*Para* 64-*ARDS*).—An unauthorized interpolation was made in a contract, due to which an amount of Rs. 441,300 could not be recovered from the defaulting contractor.

The Department explained that an enquiry in this case was being held.

The Committee directed that the Officer who authorized the interpolation in the contract may be asked to explain the reasons for doing so and a report submitted to the Committee.

Working of Ordnance Clothing Factory

4.2.13. The Auditor-General while reviewing the working of Ordnance Clothing Factory for the year 1982-83 observed that while there was an increase of 19 per cent in the production over the previous year, yet the production target remained unachieved by 35 per cent.

The Department explained that the factory had recently been expanded and its production capacity had been increased to 2 million garments annually.

The Committee directed that a study should be carried out into the usefulness of continuing the Clothing Factory as its production cost was too high as compared with private sector.

1983-84

4.2.14. *Loss of Rs. 2.069 million due to cancellation of an agreement (Para 8-CADS).*—POF awarded a civil work at a cost of Rs. 11.6 million to a contractor in May, 1976 to be completed by November, 1977. The contract was cancelled in June, 1979 when 93 per cent of the work had been executed. Remaining work valuing Rs. 0.85 million alongwith removal of defects valuing Rs. 0.92 million was awarded to another contractor for Rs. 3.2 million at the risk and cost of the defaulting contractor. The Management failed to invoke performance bond of Rs. 0.65 million.

The Department explained that the contractor had gone to court of law and the matter was presently subjudice.

The Committee directed that an enquiry should be held in this case and to fix responsibility for non-encashment of performance bond and for determining the defects in the existing procedure.

1984-85

4.2.15. *Unnecessary grant of price escalation—Rs. 1.92 million (Para 46-ARDS).*—An order for 10,600 number of towing ropes was placed on a firm in 1977. Changes and rechanges in the specification consumed six years, giving rise to an escalation claim of Rs. 1.92 million.

The Committee stated that the specifications in this case were changed without any bad intentions.

The Committee was not happy with the explanation of the Department and attributed it to bad planning and decided to hold an enquiry.

4.2.16. Minutes of the proceedings of the Committee are placed at Annexure 'D'.

4.3. AVIATION DIVISION

4.3.1. Appropriation Accounts of Aviation Division for 1981-82, 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan thereon were examined by the Standing Committee on Public Accounts on 6/7th January, 1985, 3rd September, 1986, and 20th/27th July, 1987, respectively.

4.3.2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

4.3.3. The Aviation Division controlled following three organizations :

(i) PIA and its subsidiaries.

(ii) Civil Aviation Authority.

(iii) Air Port Development Agency.

Pakistan International Airlines Corporation

4.3.4. The operating results of Pakistan International Airlines Corporation for the last four years are summarized below :

(*Rs. in million*).

Year	Operating Surplus
1981-82	224
1982-83	441
1983-84	711
1984-85	868

It is thus evident that the overall performance of the Corporation was satisfactory during the period under review.

4.3.5. The long-term investments of the Corporation as on 30th June, 1985 were Rs. 150.197 million consisting of :

Investment in subsidiaries	Rs. 1.973 million.
Investment in Associated Companies ..	Rs. 148.224 million.
	Rs. 150.197 million.

The investments in subsidiaries stood at Rs. 21,973 million on 30th June, 1984 which were reduced to Rs. 1.973 million on 30th June, 1985. The provision for reduction of Rs. 20 million was stated to have been made on the basis of latest audited and un-audited accounts of concerned subsidiaries. The current accounts of the subsidiaries were not made available to the Committee. Their position as on 30th June, 1983 was as under :

S. No.	Name of the Company	PIA's investment (Rs. in million)	PIA's share in equity	Dividend received by PIA in last four years	Accumulated Profit (Loss) (Rs. in million)
1.	Midway House Limited ..	2.400	67%	*Nil.*	0.068
2.	PIA Hotels Limited ..	0.725	100%	*Nil.*	(32.780)
3.	International Advertizing Limited	0.100	100%	0.105	0.288
4.	PIA Recruiting Agency ..	—	100%	*Nil.*	(0.341)
5.	Sky rooms Limited ..	19.352	100%	*Nil.*	(1.582)
6.	PIA Shaver Limited ..	0.500	67%	*Nil.*	(5.406)
7.	Duty Free Shops Limited ..	0.550	55%	0.110	(0.155)
8.	PIA AK Travels Limited (London)	0.020	100%	*Nil.*	£(0.064)
9.	Minhal incorporated Sharja ..	0.526	40%	*Nil.*	$0.430

It is thus apparent that most of the PIA subsidiaries were in financial trouble and the PIA's equity and advances in them have been eroded either partly or fully. The overall rate of return on these investments was 0.22 per cent per annum.

Financial position in respect of Associated Companies was not placed before the Committee but the Committee has reasons to believe that at least one of its major Associated Companies, Messers Roosevelt Hotel at Washington, was not sound financially.

4.3.6. The Committee was not satisfied with the performance of the PIA management in so far it relates to the functioning of its subsidiaries and Associated Companied and recommend that the government should appoint high-level Committee to probe into the causes of their poor financial performance and to suggest future line of action.

4.3.7. Specific cases of irregularities pertaining to PIA pointed out by Auditor-General of Pakistan could not be discussed by the Committee as the Managing Director PIA failed to appear before the Committee in person. These cases will be discussed alongwith the accounts for the year 1985-86.

4.3.8. Specific cases of irregularities pertaining to Civil Aviation Authority and Airport Development Agency are discussed in succeeding paragraphs.

1981-82

4.3.9. *Undue Payment of Rs. 0.64 million on account of Escalation payments (Para 4-AR).*—Audit pointed out an undue payment of Rs. 642,468 to the contractors as escalation payments. The irregular payment was admitted by the Ministry.

The Committee directed that detailed report on the action taken by the Ministry in this case should be submitted.

1983-84|1984-85

4.3.10. *Irregular purchase of Airconditioned Cars—Rs. 8.7 million (Para 1-AR-1984-85).*—36 Airconditioned Cars costing Rs. 8.674 million were purchased by the Civil Aviation Authority during 1982-83 in violation of staff car rules.

Secretary Aviation Division stated that in view of Prime Minister's recent directive, the vehicles were being disposed of.

4.3.11. *Loss of Rs. 4.6 million by award of work to a contractor at exhorbitant rates* (*Para* 5-*AR*-1983-84).—In 1981, construction work of a runway was awarded to a contractor at exhorbitant rates resulting in a loss of Rs. 4.6 million. The loss was upheld by a departmental enquiry in 1987.

The Committee observed that the delay of 6 years in holding the enquiry should be explained and the disciplinary action taken against the Deputy Chief Engineer and other officials involved should be presented in the next meeting.

The minutes of the proceedings of the Committee pertaining to Aviation Division are placed at Annexure 'E'.

5. MINISTRY OF PETROLEUM AND NATURAL RESOURCES

5.1. Appropriation Accounts of Ministry of Petroleum and Natural Resources for 1981-82 were examined by the Public Accounts Committee on 30th October, 1984. The Committee was however dissolved before it could finalize its report. The accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan thereon were examined by the Standing Committee on Public Accounts on 28th August, 1986 and 22nd July, 1987.

5.2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance, which has been laid before the Assembly.

OIL AND GAS DEVELOPMENT CORPORATION

5.3. The working results of OGDC for the years under review was as under :

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Net Sales	89.161	50.615	99.785	N.A.
Net Deficit	167.154	143.785	439.454	N.A.

5.4. The accumulated deficit rose to Rs. 11766.42 million at the close of the year 1983-84. The accounts for the year 1984-85 had not been prepared.

5.5. The Committee noted with concern that the accounts of the Corporation were not being prepared timely. They also did not provide adequate details on a consistant basis. The Committee therefore recommends that a working group comprising representatives of Auditor-General of Pakistan and OGDC should review the accounting set-up of the Corporation and to suggest measures by which the accounts of the Organization are prepared in a comprehensive manner and are submitted to the legislature in time. The working group should also examine the inventory management of the Corporation.

5.6. The Committee also desired that an annual performance Report should be submitted by the OGDC, so that the legislature is apprised of the progress and achievements made and the bottlenecks involved in exploration of oil and Gas in the country.

PAKISTAN MINERAL DEVELOPMENT CORPORATION (PMDC)

Operating Results

5.7. The working results of 5 salt mines and 6 coal mines being run by Pakistan Mineral Development Corporation were discussed in detail. It was pointed out by Audit that seven units out of 11 were suffering losses and had accumulated losses of Rs. 183.8 million upto June, 1986.

5.8. The management while explaining the reasons for losses stated that a major factor was that the rate of their success in exploration was about 20 per cent, but the whole investment made by the Federal Government on the exploration was being treated as loan. The financial cost, therefore, distorts their overall viability. The Secretary of the Ministry stated that various studies were already in hand to improve the financial operation of the sick units including their financial restructuring. It was further stated that possibilities to disinvests the mines and collieries were also being looked into.

5.9. It was further pointed out by Audit that coal washing plant, Sharigh which was installed at the instance of PASMIC could not function as envisaged. The main reason for the failure was that it could not produce the coal of the standard required by PASMIC.

5.10. The Committee directed the Ministry to submit a paper on the future of coal/salt mines and that of the coal washing plant.

5.11. *Loss of Rs. 668,455 due to Arbitration Award (Para 28-ARCA-AR-1982-83).*—The Corporation entered into a contract for procurement of mining timber. The supplier could not supply a part of the contracted material and requested for an extension in the delivery period. As a result of dispute on varying stands taken by the Corporation, the supplier who had gone into arbitration, won the case and got Rs. 668,455 by way of compensation.

The Committee directed that an enquiry should be held and the responsibility for the loss should be fixed.

GEMSTONE CORPORATION OF PAKISTAN

5.12. The Auditor-General submitted an evaluation of the performance of Gemstone Corporation of Pakistan, highlighting the following aspects :—

(i) The main activities of the Corporation were exploration, mining, cutting, polishing of gemstones and development of gemstone industry in Pakistan. The scope of business activity was enlarged to include manufacture of traditional and modern style gem-studded jewellery at a special Jewellery Project established at Peshawar, which included the purchase of gemstones from the market.

(ii) The Corporation accumulated losses of Rs. 5.98 million by June 30, 1985. This figure was likely to increase further after accounting for the un-allocated expenditure of Rs. 21.19 million, and shortfalls, if any in valuation of stocks. Equity to the extent of 20 per cent already stands eroded. The Corporation had been a losing concern throughout.

(iii) During the post-evaluation period 1983—85, the increased sales revenue was, nullified by a significant increase in operating expenses, which in the year 1984-85 constituted 53.43 per cent of sales, registering an increase of 177.46 per cent over the previous year. A break-down of the said increase would show major increases in Head Office administrative expenses *i.e.* 141 per cent over the previous year. It is noteworthy that a computer had been installed for better management of inventory when the inventory evaluation itself was open to question. This sort of capital expenditure added to the burden of financial charges which registered an increase of 204 per cent over 1983-84. Despite low inventory turn-over (only 0.39 times in 1984-85) and piling up of stocks, the Corporation engaged itself in purchases of gemstones amounting to Rs. 3.53 million whereas its purchases during this year amounted to Rs. 3.98 million *i.e.* 13 per cent more than sales. Corporation's present policy of purchases of gemstones from local market instead of disposing of its own stocks, needed a review particularly in view of its financial difficulties.

(iv) The Corporation had diversified its product line and was now also manufacturing gem-studded jewellery primarily for export. The figures given below indicate that the Corporation was now concentrating more on the manufacture and sales of Jewellery than on the extraction of gemstones, its original business, with the result that inventory of gemstones was piling up for want of aggressive marketing :—

Year	Total Sales	Jewellery (as % of sales)	Gemstones (as % of sales)
1983-84	9.10 million	34.16%	65.84%
1984-85	13.99 million	74.76%	25.24%

(v) The Corporation exported gemstones worth US $ 72,580 and £ 4,000 in the year 1984-85. The total exports from Peshawar (from public and private sector both) in the same year were for US $ 2,272,887 with Corporation's share of about 3.5 per cent which needs to be enhanced through marketing efforts abroad.

(vi) The Management was not adhering to the existing rules approved by its Board of Directors regarding the valuation of gemstones for purchases and sales. The valuations appeared to be casual and tentative, due to which the annual accounts for the year 1980-81 were revised twice with 4.54 per cent value increase in the first revision and 23.73 per cent decrease in the second valuation for the same stocks. Again, during an auction, stocks valued at Rs. 2.26 million were actually sold out for Rs. 4.4 million. Since the entire business of the Corporation relating to sales and purchases mainly hinged on the valuations of gemstones, the desirability of complying with the approved rules needed to be pressed.

As mentioned in the Evaluation Report, the probability of favourable results in the near future, given the existing performance pattern, was not high.

5.13. The Management explained in detail the working of the Corporation with special reference to Audit Observations, and reported that Gemstone trade was a highly sophisticated field. They had to train their officers with the help of foreign countries to keep a structure of highly trained officers. Gems being a luxury item, a lot of it required export through legal channels as other exporting countries in this field take their goods to the doorsteps of customers in foreign countries.

5.14. The Corporation was also trying to extend its activities to foreign countries. As far valuation method, this was very sophisticated and complicated process. There had been revolutionary changes in world gem market. It was through long research, that colour grading had to be developed. The different shades of the stone fetch variable prices. The valuation was not arbitrary, the officers had to be very objective and cautious, in view of sensative commodity.

5.15. A Member pointed out that the Corporation was engaged in many functions and suggested that some of the functions should be withdrawn. There should be a training institute. They should concentrate on sale and production only, which would produce better results.

5.16. The Department agreed that there should be an institute to spread the latest technical knowledge in use of tools for better cutting and thus providing better quality of gems. Pakistan possessed very good mines, which were capable of producing high class jewellery which had ready market in Middle East.

5.17. The Committee observed that the Department should prepare a paper on the working of the Corporation including problems of promotion of sales, disposal of stocks and stores, and leakage.

5.18. The Committee directed that question of diversities in some of the functions of the Corporation may also be looked into and a report should be submitted.

RESOURCE DEVELOPMENT CORPORATION (RDC)

5.19. A sum of Rs. 184 million had been incurred on Copper mining project at Saindak (Baluchistan) by the Corporation upto June, 1986 but the project was still in its infancy. The Chairman RDC stated that the project had gone through various stages. Initially the Government sanctioned certain amount for feasibility studies. The project was, however, held up as its economic viability had become questionable due to fluctuating prices of copper in the international market. He further stated that a final decision on the project was likely to be taken by the ECNEC in near future.

5.20. The Committee directed the Secretary, Ministry of Petroleum and Natural Resources to look into it personally and to finalize the case without further delay. He was also asked to report further progress in the next meeting of the Committee.

PAKISTAN STATE OIL COMPANY LIMITED

5.21. The working results of Pakistan State Oil Company Limited for the years under review were as under :—

(Rs. in million)

Year	Gross Profit
1981-82	342.168
1982-83	398.936
1983-84	464.960
1984-85	585.405

The financial position of the company was therefore reasonably sound.

Mineral Resources Project

5.22. The Principal Accounting Officer stated that under this project small studies were undertaken and results were communicated to the Chambers of Commerce for further exploration. He was, however, not able to specifically state if any industry had so far been set up as a result of these studies.

The Committee directed that an evaluation report on the work so far down under this project should be submitted.

Biogas and Solar Energy Projects

5.23. The Principal Accounting Officer stated that about 4000 biogas units had been installed in the country on cost sharing basis and were working alright. It was further pointed out that the solar technology project had not made much of headway. After detailed discussion, the Committee directed that :—

(a) A performance report on these projects should be prepared by the Auditor-General and placed before the Committee. It should also include information regarding the basis for selection of villages for electrification through solar system and reasons for limiting the tender time to 3 weeks, and

(b) A detailed report of the enquiries conducted and the action taken against the officials responsible for irregularities in Biogas and Solar Projects should be provided by the Ministry.

Pak. Stanvac Petroleum Project

5.24. It was reported that material and assets valuing Rs. 291,070 which had been declared surplus, were lying undisposed of. The Ministry explained that the surplus material partly consisted of diamond core bits for which no local buyer was available and the Government had been requested for permission to export these bits which had not so far been granted.

The Committee directed that some decision should be taken to finalize the disposal of this material and a report should be submitted.

State Audit of Gas Companies

5.25. It was pointed out by Audit that the following gas companies of which the Federal Government owned more than 50 per cent shares, had not agreed to get their accounts audited by the Auditor-General of Pakistan :—

(1) Sui Northern Gas Pipelines Limited.

(2) Southern Gas Company Limited.

(3) Quetta Gas Pipeline Project.

(4) Sui Gas transmission Company Limited.

On a querry from the Committee, Secretary Petroleum and Natural Resources stated that the administrative Ministry had no objection to the audit by the Auditor-General of Pakistan, of those gas companies, where Government investment was more than 50 per cent.

The minutes of the proceedings of the Committee are placed at Annexure 'F'.

6. MINISTRY OF EDUCATION

6.1. INTRODUCTION

6.1.1. Appropriation Accounts of Ministry of Education for 1981-82 were examined by the Public Accounts Committee on 31st October, 1984. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 5th May, 1986 and 8th January, 1987.

6.1.2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

6.1.3. The Committee noted that the expenditure against the grants made to University Grants Commission and through it to the technical and general universities in the country was not being properly audited and reported to the National Assembly. The Committee requested the Auditor-General of Pakistan to submit a detailed paper on the bottlenecks involved in auditing this expenditure so that corrective measures are taken and it could be ensured that funds placed at the disposal of universities are being effectively utilized.

6.1.4. Performance of National Book Foundation has been discussed in Chapter 2.

6.1.5. The minutes of the proceedings pertaining to Ministry of Education are appended as Annexure 'G'.

6.2. NATIONAL BOOK FOUNDATION

6.2.1. *Financial data and analysis.*—Equity on June 30, 1984 was Rs. 20.41 million, over 73 per cent of which had been eroded by cumulative losses. During 1983-84 the quick ratio fell to 0.64 : 1 which is below the generally desirable ratio of 1 : 1. Stocks of books included many outdated editions. There was also a sharp rise in costs of sales of reprints and NBF books from 54 per cent to 77 per cent and 50 per cent to 75 per cent respectively from 1982-83 to 1983-84. It was suggested that the stock of superseded editions needed expeditious disposal. It may be ensured that books in demand are printed in time. Cost of sales needed strict control.

6.2.2. *Production.*—Production targets had not been laid down. Production of titles declined steadily from 156 to 91 over the years 1980 to 1984. Reprints included outdated editions with little demand. Conversely, certain reprints remained out of stock, leading to sales of pirated editions by other printers. There were frequent delays on the part of printers in execution of jobs. Some of the reasons of delay also originated at Head Office (lack of proper procurement planning etc.) Audit suggested that superseded reprints needed expeditious disposal Proper planning was required for timely reproduction of books. Targets needed to be introduced to compare achievements. Actions pending at Head Office needed to be expedited for timely publications. Action against defaulting printers, needed initiation.

6.2.3. *Copyrights.*—Cases of piracy of books (in respect of which NBF had obtained publishing rights for Pakistan, were reported by NBF branch Offices to the Head Office alongwith pirated specimens. NBF that in fact got rights registered (wrongly) in favour of foreign publishers instead of in its own name. Infringement of any rights could not as such be claimed by NBF. The Foundation could, however, take legal action against pirates if provincial governments included NBF amongst those notified (under section 9 of the West Pakistan Publication of Books Ordinance, 1969) to file complaints before competent court. It was suggested that exclusive publishing rights were required to be registered in NBF's own name. Provincial governments concerned might be approached to include NBF amongst those notified u/s 9 of the 1969 Ordinance.

6.2.4. *Sales and Marketing.*—Sales targets were not regularly prescribed. Those prescribed for 1983-84, at Rs. 10 million were achieved upto 88 per cent only. Six out of 9 sales centres failed to achieve the prescribed sales targets during 1983-84. Expenses on seven centres ranges from 19 per cent to 59 per cent of sales during 1983-84 against the limit of 10 per cent recommended by Federal Inspection Commission. It was suggested that sales targets may be prescribed as a regular feature, for comparison of results. Centres economically unviable needed closure.

6.2.5. *Materials and Stocks.*—Assessment of future material requirements and procurement planning needed improvement. Book printing was occasionally delayed for want of paper.

6.2.6. *Future prospects.*—Production and sales of new books were likely to dwindle unless effective steps were taken to increase demands for books by tapping all possible sources. Trend of increase in selling and administrative expenses was likely to continue because of annual increments and indexation of salaries. Some checks could, however, be exercised by closing sales centres which were not viable. NBF was not likely to break even in near future if decrease in sales and increase in production costs (due to lower production) and expenses were not reversed through special efforts.

6.2.7. Secretary, Education stated in response that Foundation was not a profit oriented organization. It had succeeded in reducing cost of books. The profit being earned was nominal. The staff had already been reduced to the minimum. The closing of regional offices was being examined. Paper stocks were not being included in " quick Ratio ". Paper stocks were as good as currency. The Brill press was also being taken care of. The delay in production of books had also been reduced. The production which was Rs. 3.83 million in 1983-84 had increased to Rs. 7.69 million in 1985-86.

6.2.8. The Committee, while appreciating the difficulties of the management, recommended that the management should keep a close watch on its expenses to ensure that the Foundation does not face unsurmountable financial constraints.

7 AGRICULTURE RESEARCH DIVISION

7.1. Appropriation Accounts of Agriculture Research Division for the years 1981-82, 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan thereon were examined by Standing Committee on Public Accounts on 9th January, 1985, 1st September, 1986 and 21st July, 1987.

7.2. The views of the Committee regarding regularization of excess expenditure are discussed in its report on Ministry of Finance which has been laid before the Assembly

Import of Edible Oil

7.3. The total production of edible oil including vegetable ghee from the seeds produced in the country is falling short of the demand Resultantly country has to imoprt large quantities of soyabean and palm oil from abroad, palm oil is mostly imported from Malaysia and the soyabean from USA. The position of import of soyabean oil and the palm oil as given in the table below indicates how heavily the country is dependent on these imports and the cost we have to pay in terms of foreign exchange :

Import of edible oil :

(*Quantity* : *Million Kg Value* : *Million* Rs.)

Year	Soyabean Oil		Plam Oil		Total	
	Qty.	Value	Qty.	Value	Qty.	Value
1982-83	268	1,543	372	1,960	640	3,503
1983-84	407	3,512	345	2,980	752	6 492
1984-85	195	2,432	458	4.344	653	6,776
1985-86	218	2,146	596	3,877	814	6,023
1986-87	249	1,702	438	2,150	687	3,852

7.4. Low production and smuggling to other countries specifically to India can be attributed as major reasons for this catastrophic situation. According to an estimate about 25 per cent of the total costs of edible oil is smuggled out to India for the simple reason of prices in Pakistan being less than half the prices of same commodity in India.

7.5. The Committee examined this situation and was of the view that the ultimate solution of the problem is to increase the indigenous producion of edible oil through rapid and effective increase in production of all available oil seeds in the country. Unfortunately this aspect was not given due attention as soyabean oil imports were mostly made against loans or grants from the United States and the administration was not facing a major constraint on its foreign exchange resources for meeting its obligation. The Committee is of the view that it is not an institutional solution of the problem as the bill for edibile oil has already exceeded Rs. 5000 million and it is likely to go up further (as a matter of fact it already touched a figure of Rs. 8000 million in 1985-86). The Committee, therefore, very strongly feels that the government should come up with a crash programme for oil seed production in the country so that the dependence of the country on import of edible oil could be reduced to the minimum.

7.6. The Committee discussed the situation with Chairman, Pakistan Agriculture Research Council, but was not convinced of the efforts made by the Federal Government in this regard so far. If a break through in production of oil sweeds is to come, it can only be achieved by providing adequate support to the farmers for cultivation of soyabean Sunflower and Safflower in the country. Another study which is required to be taken up immediately is to determine the mode and extent of the smuggling of edible oil to other countries, measures can be taken for its control and to find out ways and means to curb this tendency.

7.7. The minutes of the proceedings pertaining to Agriculture Research Division are placed at Annexure 'H'.

8. KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION

8.1. Appropriation Accounts of Kashmir Affairs and Northern Affairs Division for 1981-82 were examined by the Public Accounts Committee on 9th January, 1985. The Committee was however dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the Reports of Auditor-General of Pakistan thereon were examined by the Standing Committee on Public Accounts on 4th September, 1986 and 1st April, 1987.

8.2. The views of the Committee regarding regularization of excess expenditure are discussed in its report on Ministry of Finance which has been laid before the National Assembly.

8.3. The Auditor-General invited the attention of the Committee to the situation that while the expenditure incurred by the Azad Government of Jammu and Kashmir was examined by the Public Accounts Committee of the Azad Jammu and Kashmir Legislative Assembly, no such arrangements existed in respect of the expenditure controlled by the Azad Jammu and Kashmir Council. He also stated that the expenditure incurred by the Departments under the administrative control of the Council was not substantial, yet it was a policy issue that no agency should be above accountability.

8.4. The Committee desired that Secretary, Kashmir Affairs and Northern Affairs Division should examine this question and submit for the consideration of Azad Jammu and Kashmir Council, a workable plan in this respect. The Committee was also of the view that if the Council and the Federal Government were agreeable, the grants and the expenditure of Azad Jammu and Kashmir Council could be examined by the Federal Public Accounts Committee.

8.5. There was no other significant issue for discussion.

8.6. The minutes of the Proceedings of the Committee pertaining to Kashmir Affairs and Northern Affairs Division are placed at Annexure 'I'.

9. STATES AND FRONTIER REGIONS DIVISION

9.1. Appropriation Accounts of States and Frontier Regions Division for 1981-82 were examined by the Public Accounts Committee on 1st November, 1984. The Committee was dissolved before it could finalize its report. The accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan thereon were examined by the Standing Committee on Public Accounts on 31st August, 1986 and 21st July, 1987.

9.2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

FATA DEVELOPMENT CORPORATION

Kurram Fruit Products

9.3. The factory was established at a cost of Rs. 6.95 million in March, 1977. It remained in operation upto December, 1982 and was closed down thereafter mainly because it could not recover direct cost from the sale of products. The accumulated losses stood at Rs. 8.129 million as on 30th June, 1985. The equity of the project, therefore, stands eroded. The bank loans stood at Rs. 3.656 million as on 30th June, 1985 and were increasing due to addition of accrued interest.

Tochi Valley Match Factory

9.4. The factory was established at cost of Rs. 11.302 million in 1975 and remained in operation upto July, 1984. The factory was closed because of recurring losses. The accumulated loss stood at Rs. 8.357 million in June, 1985.

Tochi Woollen Mills

9.5. Although the factory was functioning, the accumulated deficit was Rs. 5.16 million as on 30th June, 1985.

South Waziristan Footwear and Leather Gooos Industries

9.6. The factory incurred a loss of Rs. 1.374 million in 1983-84, of Rs. 1.397 million in 1982-83 and Rs. 2.113 million in 1981-82.

9.7 The Secretary States and Frontier Regions Division argued that these industries were set up keeping in view the socio-economic conditions of the area and without taking into consideration the economic viability. He said that he was fully cognizant of the gravity of the situation and wanted to take the matter to the Economic Coordination Committee for a policy decision.

9.8. The Committee was unhappy with the situation that out of an investment of Rs. 68 million, the accumulated losses had mounted upto Rs. 51 million in the industrial ventures of FATA. In view, however, of the assurance of the Principal Accounting Officer, the Committee deferred the consideration of these units and directed that the case for the continuance or otherwise of these industrial establishments may be taken up with the ECC and the decision communicated to the PAC in next two months.

9.9. Since the Committee has not been informed of the decision of the Economic Coordination Committee of the Cabinet so far, it recommends that all the industrial establishments of FATA Development Corporation which are incurring perpetual losses, should be immediately liquidated.

9.10. As regards other activities of S.&F.R. Division the Committee concluded that the internal controls were not quite effective and needed improvement.

9.11. The minutes of the proceedings of the Committee are placed at Annexure 'J'.

ANNEXURES A TO J

PROCEEDINGS

OF

PUBLIC ACCOUNTS COMMITTEE
(1981-82 TO 1984-85)

MINISTRY OF COMMUNICATIONS
MINISTRY OF COMMERCE

MINISTRY OF DEFENCE

MINISTRY OF PETROLEUM AND NATURAL RESOURCES
MINISTRY OF EDUCATION

AGRICULTURE RESEARCH DIVISION

KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION
STATES AND FRONTIER REGIONS DIVISION

Annexure 'A'

FEDERAL COUNCIL SECRETARIAT

Monday, the 7th January, 1985

Twelfth Sitting (PAC)

*1894. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan ..	*Vice-Chairman.*
(2) Syed Saieed Hasan, Member, Federal Council	*Member.*
(3) Akhunzada Bahrawar Saeed, Member, Federal Council ..	*Member.*
(4) Mir Jam Ghulam Qadir Khan, of Lesbela, Member, Federal Council	*Member.*
(5) Mr. Masarrat Hussan Zuberi, Former Secretary to the Government of Pakistan	*Member.*
(6) Mr. Abdul Qadir, Former Chairman, Railway Board ..	*Member.*
(7) Mr. Yusuf Bhai Mian, Chartered Accountant	*Member.*

Federal Council Secretariat :

(1) Mr. M.A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
(3) Mr. Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.
(6) Mrs. S.N. Sheikh, Director General Commercial Audit.
(7) Mr. S.T. Rehman, Director General of Audit. PT&T.

Ministry of Finance :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Mr. Hameed Akhtar Niazi, F.A. (Communications).

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*Paragraphs upto 1893 and 1895 to 1957 pertain to other Ministries/Divisions.

MINISTRY OF COMMUNICATIONS

1958. The Committee took up for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Communications. The following departmental representative were present :—

(1) Mr. F.K. Bandial, Secretary.
(2) Mr. S. Ibrahim Shah, Deputy Secretary.
(3) Mr. Muhammad Asghar, A.O.
(4) Mr. Muhammad Yunus, Section Officer.
(5) Rear Admiral A.W. Bhomba. Chairman (PNSC).
(6) Rear Admiral A. Waliullah, Chairman (P.O.A.).
(7) Vice-Admiral A. Zameer, M.D. (K. S. & W.E.).
(8) Col. Bashir Ahmed Khan, Director Finance (F.W.O.).
(9) Mr. K. Ajmal Khan, M.D. (TIP).
(10) Mr. Q.A. Siddiqi, G . M. Finance (KPT).
(11) Brig. Mansoorul Haq Malik, D.G. (PT&T).
(12) Mr. M. Khurshid, D.G. (PPO).

1959. This Ministry controlled the following grants :—

APPROPRIATION ACCOUNTS

1961. *Format of Appropriation Accounts.*—The *Committee directed that Ministry should submit their replies concerning the Appropriation Accounts in the same format as printed in the Appropriation Accounts.*

1962. *Grant No. 19—Ministry of Communications (Pages 202—204-AA).*—The Appropriation Accounts show an excess expenditure of Rs. 245,448 against the function " 581-Administration ". The Ministry pointed out that the original grant shown therein was not correct. In fact two supplementary grants amounting to Rs. 150,000 and Rs. 90,000 were sanctioned by the Finance Division ; but the item-wise detail thereof were not incorporated in the Appropriation Accounts by the AGPR. After taking into accounts the amount of these Supplementary Grants, the Final grant for the year had come to Rs. 2,326,000. The factual position according to the prescribed proforma is given below :—

Final Appropiation	Actual Expenditure	Excese/saving
Rs. 2,326,000	Rs. 2,331,448	Rs. (+)5,448

The excess expenditure of Rs. 5,448 was incurred mainly due to grant of one increment to all officer and staff sanctioned by the Finance Division and enhancement in the allowances.

1963. Thereupon, the Audit commented that under Final Grant, difference of Rs. 240,000 between Department and Audit figures was on account of Supplementary Grant. This did not appear in the printed book (Audit working was correct).

1964. The Committee directed the departmental representative to recheck the position. Subject to verification of the departmental explanation regarding Supplementary grant of Rs. 240,000 by Finance and Audit, the sub-paragraph be treated as settled.

1965. *Function head 587—Ports and Shipping (Page 204-AA).*—The Audit had pointed out actual expenditure of Rs. 2,845,824 whereas the department claimed that the actual expenditure was Rs. 2,640,152. The difference of Rs. 205,672 was due to omission of the expenditure of Rs. 205,762 incurred by the department in remitting subscriptions etc. abroad which was in fact reconciled by them with Chief Accounts Officer, Ministry of Foreign Affairs. Accordingly, Audit felt that the department should have submitted an explanation for the excess of Rs. 205,672.

1966. In view of the position stated above and after discussion, *the Committee decided that the Department should explain as to whether Rs. 205,627 incurred for paying subscription abroad was included in Rs. 2,640,152 or not. The paragraph was deferred.*

1967. *Grant No. 22—Department of Shippiging Control and Mercantile Marine (Pages 218—222-AA)*.—The Committee did not make any observation regarding this grant.

1968. *Grant No. 23—Lighthouses and lightships (Pages 224—226-AA)*.—According to Audit, a net saving of Rs. 37,341 had been exhibited under this grant. The Ministry confirmed that out of the final grant of Rs. 772,900, an expenditure of Rs. 735,559 was incurred as reconciled by Audit.

1969. Audit commented that the department had shown actual expenditure of Rs. 753, 989 against the Audit actuals of Rs. 735,559 or a difference of Rs. 18,430.

1970. A member of the Committee enquired as to why it was not taken up at the time of reconciliation. The departmental representative replied that difference had been reconciled. Thereupon, the Committee did not make and further observation in respect of this grant.

1971. *Grant No. 24—Other Expenditure of Ministry of Communications (Pages 208—210-AA)*.—The Appropriation Accounts show a final grant of Rs. 351,726 under function head "091-Administrative Training" whereas the department indicated Rs. 351,200 making a difference (excess) of Rs. 526. Further Audit had shown an actual expenditure of Rs. 316,151 whereas the department had reflected an expenditure of Rs. 351,200 making a difference of (saving) of Rs. 35,049. The Committee considered that the Audit figure was correct and the department should correct their own figures.

1972. The Accounts show an excess of Rs. 2,365,792 under function head "312-Highways Roads and Bridges"—Object "600-Transfer Payments". It was explained by the Ministry that the final grant was Rs. 66,194,225 and not Rs. 66,497,389 as shown by Audit in the Appropriation Accounts. For the difference of Rs. 303,164 the Ministry stated that while issuing final saving/surrender order due to a totalling mistake an amount of Rs. 712,611 instead of Rs. 1,015,775 was surrendered wrongly which was regretted. Now the position of excess expenditure was as under :—

Final Grant	Actual expenditure	Excess (+)
Rs. 66,194,225	Rs. 68,863,181	Rs. (+)2,668,956

1973. Out of the above grant an amount of Rs. 22,156,741 was placed at the disposal of FWO who incurred there against an expenditure of Rs. 24,825,695. Thus they exceeded the allocated budget by Rs. 2,668,956. Audit stressed that its working of final grant was correct.

1974. After discussion, the Committee observed that regularisation of the excess of Rs. 2,365,792 incurred by the FWO was kept pending till it was sorted out by the Finance Division. *The Committee directed that the Ministry should evolve procedures whereby expenditure from their own grant was not incurred without their knowledge and consent.*

1975. *Function head "583—Road Transport, Highway Safety Education Compaign Object 900—Miscellaneous Expenditure" (Page 210-AA)*—The Appropriation Accounts shown a saving of Rs. 10,629,350 under this object. It was explained by the Ministry that the position given in the Appropriation Accounts was incorrect. The actual position of Accounts had come as under :—

Final Grant	Expenditure	Saving Excess
Rs. 71,308,200	Rs. 71,308,200	Nil.

1976. Audited commented that the difference in Final Grant (Rs. 300) was because the Ministry was taking Economy Cut as Rs. 4,606,800 while Audit took it as Rs. 4,606,500, and admitted that the Ministry's calculation was correct. Audit further pointed out that debit of Rs. 10,629,050 was not booked due to late receipt from treasury. It had been adjusted by Audit in 1982-83.

1977. In view of the position stated above the *Committee took the following decision* :—

"*Audit should take action those in the Audit Department, who did not record the payments correctly and report back to the Committee*"

1978. *Grant No. 143—Development Expenditure of Ministry of Communications (Pages 212—215-AA).*—In respect of the excess of Rs. 18,065,100 shown in the Appropriation Accounts against the function head "312-Highways, Road and Bridges-Object 300-Construction Works, National Highways including NLC, the Ministry explained that the actual position was as under :—

Final Grant	Actual Expenditure	Saving (—)
Rs. 248,107,450	Rs. 235,547,550	Rs. (—)12,559,900

1979. Audit pointed out in their comments that the final grant was Rs. 193,107,450 whereas the department showed Rs. 248,107,450 making a difference of Rs. 55,000,000. As to actual expenditure, Audit depicted Rs. 211,172,550 whereas department showed Rs. 235,547,550 resulting in difference of Rs. 24,375,000. Audit further stated that the supplementary grant of Rs. 55,000,000 as shown in the departmental reply was not given in the printed Supplementary Budget book. Hence Audit did not account for it in the Appropriation Accounts. Regarding difference of Rs. 24,375,000 in actual expenditure, Audit informed, that debits for these were not received from Treasury Officer, who had been warned for this omission. The debits were, however, being adjusted in the accounts for 1984-85.

1980. After discussion and seeking certain clarifications from the departmental representative, *the Committee issued the following directions* :—

(i) *National Highway Board should be asked to furnish detailed reason/purpose for asking for a supplementary grant of Rs. 55 million so that Committee might know where it was used. The paragraph was therefore deferred.*

(ii) *Road Building by NLC—Rs. 55 million.—On principal, the Communications Ministry should be the client for any work being done from its grant. As such, the Ministry should be in the picture about such work. If the work were being executed by its own organisation, it should be for the Ministry to secure reports about monthly accounts from organisation. However, if that executing agency be under another Ministry and be making the initial expenditure from the budget of its own administrative Ministry, then there must be a subsequent adjustment between the Communication Ministry, and the administrative Ministry according to a pre-agreed procedure.*

1981. *Grant No. 173—Capital Outlay on Ports and Shipping* (*Page 228-AA*).—The Appropriation Accounts show an excess of Rs. 71,528,550 under function 587-Ports and shipping-Object "500-Commodities and Services-Bundar Qasim Project". The Ministry explained that out of the allocated local currency of Rs. 783,004,000 (including Rs. 106 million cover for cash foreign exchange the Finance Division released only Rs. 686,133,000. Out of this a sum of Rs. 918 could not be utilised and Rs. 96,871 million was not released by AGPR. Therefore, a saving of Rs. 96,871,918 (Rs. 96,871,000 + Rs. 918) was surrendered. Thus the final grant was Rs. 780,628,082 against which an expenditure of Rs. 804,948,056 was incurred making excess expenditure of Rs. 24,319,974 in foreign exchange. This was due to outstanding payment to the Dredging Contractor M/s. Brockhoven which could not be paid during 1980-81 due to legal implication of foreign exchange clause of the Agreement.

1982. Audit pointed out that it had shown Rs. 781,441,585 towards actual expenditure whereas department had indicated Rs. 804,948,056 as expenditure thus making a difference of Rs. 23,506,471 under Bundar Qasim project. A sum of Rs. 3,668,183 was to appear under recoveries and the same amount under expenditure but net amount was incorrectly shown by Accounts Office. Further, difference of Rs. 19,838,288 arose because this amount had been booked by Accounts Office under Demand No. 180 (Loans and Advances, controlled by Finance Division) on the advice of Economic Affairs Division. This matter was being sorted out with Economic Affairs Division so that if it was a loan (as claimed by them) and not a grant (as claimed by Ministry of Communications), it should be reflected accordingly in the Budget under Finance Division grant of Loans and Advances.

1983. After discussion, *the Committee decided that the Ministry of Communications should find out whether Rs. 19,838,288 was a loan or a grant. It should be resolved in consultation with the Finance Division and reported to PAC ; Audit should also contact Finance Division to ascertain the fact.*

1984. *Object 587—590—Other Expenditure Hydrographic Survey Vessels.*—It was explained by the Ministry that the Budget provision for this Project was Rs. 71,000,000 including Rs. 70,000,000 in Foreign Exchange. Due to economy cut which was applicable to local currency only, the entire Foreign Exchange, provision was utilised and local currency provision was adjusted against economy cut.

1985. *The Committee observed that the department should verify the source from which the amount of Rs. 70 million in Foreign Exchange was obtained. There was no mention of it in the Appropriation Accounts (Civil) at page 228 for 1981-82. The department should sort out and report to PAC. The parageaph was deferred.*

1986. *Function head 589—Other Reconstruction of Napier Mole Road Bridge.*—The Explanation given by the Ministry was accepted and the Committee and as such it was treated as settled.

1987. *Grant No. 170—Capital outlay on Communication work (Pages 216-AA).*—The Appropriation Accounts show a net excess of Rs. 82,638,599 under this grant. It was explained by the Ministry that as per reconciliation carried out in AGPR's Office, the actual expenditure incurred during the financial year 1981-82 amounted to Rs. 185,763,599. The expenditure incurred in excess of allocation for the year was Rs. 36,141,599 (Rs. 185,763,599—Rs. 149,622,000).

1988. The department further stated that the excess expenditure was incurred as funds were not allocated as per the requirements of the Frontier Works Organisation (FWO).

1989. Thereupon, Audit had commented that Rs. 43,978,000 were surrendered though there was an excess of Rs. 82 million. This showed lack of accounting control Explanation for the excess showed a disregard for budgetary sanctions.

1990. A member of the Committee enquired as to when did the department find out that there was an excess and on which road. The departmental representative replied that these roads were in the NWFP and that they were all being constructed by the Frontier Works Organisation. 55 million of rupees were being surrendered.

1991. *After further discussion, the Committee took the following decisions :—*

Excess of Rs. 82 Million by FWO

(i) *FWO should be asked to explained as to why did they not request for an additional grant, before incurring any excess expenditure.*

(ii) *The procedure of large amounts being debited to the Ministry of Communications, without their prior knowledge and consent, in order to meet the excess expenditure by FWO, working under the Ministry of Defence, needed to be sorted out. These works pertaining to the Ministry of Communications and executed by the FWO, should be dealt-with as if they were deposit works. Finance Division should help the Ministry of Communications to resolve this issue.*

1992. *Grant No. 175—Investment in Urban Road Transport Corporation (Page 232-AA).*—The Appropriation Accounts shown an excess of Rs. 37,049,530 under this grant. The Ministry maintained that the expenditure figure shown therein was incorrect and that the actual expenditure of Rs. 159,124,500 had been accepted by Audit *vide* reconciliation statement for 6/82 (Final)

1993. Audit claimed that the reconciled actuals were Rs. 196,174,030 as shown in Appropriation Accounts and not Rs. 159,124,500 mentioned by the department. The reconciliation statement produced by the department was for expenditure incurred at Islamabad only. As mentioned in Remarks Column of this reconciliation statement, there was expenditure at Karachi and Lahore also, which was reconciled. Audit maintained that its figure was correct, and the excess of Rs. 37,049,530 should be explained by the Ministry.

1994. The Vice-Chairman remarked that he Accounts were not reconciled at the proper time. *The Committee, therefore, decided that the paragraph should be deferred and the correct position may be ascertained by the Ministry in consultation with Audit, and if necessary the Ministry's explanation for excess may be obtained.*

1995. *Grant No. 180—Development Loans and Advances by the Federal Government (Pages 420—433-AA).*—Audit had pointed out that this grant related to Finance Division and in principle should be discussed in their brief. *The Committee therefore, decided that this should be explained by the Finance Division. It was dropped from here.*

AUDIT REPORT

1996. *Irregularities in a Marine Academy (Para 3, pages 45-46-AR).*—Audit had pointed out the following irregularities in the Pakistan Marine Academy during the year 1975-76 to 1978-79.

1997. *Non-maintenance of Cash Book [Para 3 (i), page 45-AR].*—According to Audit, the maintenance of Cash Book was discontinued from 2nd January, 1979 in violation of the existing rules. To transact cash business, a current account was opened with a scheduled Bank from 30th January, 1979 without sanction of the competent authority.

1998. The Ministry explained that the work of re-construction of Cash Book, on the basis of PAC Directive, was taken in hand and 90% work had since been completed. The delay occurred because the Cashier concerned had left the job and the Academy were facing great difficulties in locating the relevant records. Audit stated that the reasons for discontinuation of cash book given by the Ministry were not sound as cash book was necessary even if a bank account was operated. The reconstruction of cash book needed to be expedited. Opening of bank account should also be regularised expeditiously.

1999. *The Vice-Chairman stressed that the cash book must be completed 100% and then given to Audit for final comments to PAC.*

2000. *Defalcation of Rs. 41,191 [Para 3 (ii), page 45-AR].*—Un-disbursed amounts totalling Rs. 41,191 on account of pay and allowances drawn during the period August, 1975 to January, 1979 were retained beyond the permissible limit of three months. A sum of Rs. 33,880, was stated to have been deposited on this account but it could not be provided by the Department.

2001. The Ministry made the following submission :—

(a) A sum of Rs. 33,800, was deposited in the State Bank of Pakistan as per entries recorded in the cash book.

(b) An amount of Rs. 6,307 was stolen alongwith the other cash and a case was pending in the Court.

(c) After taking into account the amounts of (a) and (b) above, the difference which still remained to be reconciled comes to Rs. 1,084, the correct position of which would be ascertained after completion of the cash book.

2002. *The Committee directed the departmental representative that the cash book must be completed as early as possible.*

2003. *Embezzlement of Rs. 7,493* [*Para* 3 (*iii*), *page* 45-*AR*].—The Ministry explained that investigation made in the matter revealed that arrear bill amounting to Rs. 1,851 was not passed for payment by the AGPR, and thus the amount of the bill incorporated in the paragraph was obviously due to some misunderstanding. This was being got verified by the AGPR. The Ministry further stated that no clue for the balance amount of Rs. 5,642 could be found out as the then Cashier had already left service and the Commandant of the Academy who was the controlling Authority and the Accounts Officer who was the D.D.O. had since died. Thus the amount in question could not be recovered from the person concerned and the loss was being written off.

2004. The Committee did not make any observation except that Audit should verify the statement.

Loss of Rs. 7,223 [*Para* 3 (*iv*), *page* 45-*AR*].

Loss of books worth Rs. 51,910 [*Para* 3 (*v*), *page* 45-*AR*].

Non-recovery of Rs. 15,543 on account of private trunk calls [*Para* 3 (*vi*), *page* 46-*AR*].

Loss of Rs. 8,029 [*Para* 3 (*vii*), *page* 46-*AR*].

Theft of Laboratory equipment worth Rs. 3,750 [*Para* 3 (*viii*), *page* 46-*AR*].

Overpayment of Rs. 7,102 to a Supplier [*Para* 3 (*xi*), *page* 46-*AR*].

Irregular expenditure of Rs. 28,595 [*Para* 3 (*x*), *page* 46-*AR*].

2005. *Not finding the explanations of the Ministry in respect of the abovementioned paragraphs to be satisfactory the Committee directed as below:—*

(i) *The Whole of paragraph 3 should be re-examined by the Ministry and a revised reply furnished to the Committee.*

(ii) *The Audit observations for which replies were furnished in the statement of replies should be invariable reproduced in column 1, to facilitate the examination of replies. Similarly the directive of the PAC against which any material reply if given in the compliance report should also be reproduced in column 1, for facility of reference.*

2006. *The whole paragraph was, therefore deferred.*

COMMERCIAL ACCOUNTS

Lighthouses and Lightships Department

2007. *Compilation of Accounts* [*Para* 3 (*vi*), *page* 6-*ARCA*].—Audit had reported that accounts for the year 1967-68 to 1981-82 had not yet been prepared. The Ministry stated that all the figures with regard to Pensionary Charges, Leave

Salary Contribution, General Reserve Fund Investment, Depreciation Reserve Fund Investment Account, Local and Central Audit Charges etc. had been confirmed by Audit except the figures of Pensionary Charges and Leave Salary Contributions in respect of the staff. Thereupon, Audit commented that the pensionary contribution and leave salary charges up to 1979-80 received from the Departmet had been returned by the AGPR duly checked to the Ministry *vide* letter dated 2-12-1984. Similar figures for the subsequent years had not been provided by the Ministry to the AGPR who had asked for them.

2008. A member of the Committee enquired as to what was the present position of the Accounts. The departmental representative replied that they would give complete accounts to Audit as early as possible. *The Committee decided to defer the paragraph.*

Pakistan National Shipping Corporation

2009. *Loss of Rs. 971,000 on Account of demurrage* (*Para 9, page 19-ARCA*).—Audit had reported that the Pakistan National Shipping Corporation signed a contract with the Pakistan Refinery Limited in January, 1974 for the transportation of crude oil from various Persian Gulf Ports to Karachi. The Corporation chartered a number of vessels (tankers) for this purpose. These vessels underwent heavy demurrage at loading and discharging posts due to delays caused by the Pakistan Refinery Limited. Under the contract the demurrage was to be borne by the Pakistan Refinery Limited ; but due to failure of the Pakistan National Shipping Corporation to lodge the claims within specified period and other lapses on their part, the Refinery refused to honour the claims. Thus payment of Rs. 971,000 (U.S. $ 97,602.56) by the Corporation to the Charters, recoverable from the Pakistan Refinery Limited became its loss.

2010. It was explained by the Ministry that as there was no favourable response by the Pakistan Refinery Limited, to settle the demurrage claim amounting to U.S. $ 153,438 the department had no choice but to seek legal opinion in the matter.

2011. *After examining the reply of the Ministry and the Audit comments thereon, the Committee directed the departmental representative that this should be finalised quickly. The consideration of paragraph was deferred.*

Karachi Shipyard and Engineering Works Limited

2012. *Working results* (*Para 84, page 66-ARCA*).—According to Audit, the Company earned gross profit amounting to Rs. 14.232 million during 1981-82 (1980-81 Rs. 31.623 million). The decrease in gross profit of Rs. 17.391 million was mainly contributed by Ship-building. Audit further stated that the decrease in gross profit was mainly due to the reason that percentage increase in cost of sales during 1981-82 as compared to 1980-81, particularly of Shipbuilding was much higher as compared to that of sales. The increase in cost of sales needed to be justified. The Company sustained net loss of Rs. 53.921 million during 1981-82 as against net profit of Rs. 2.869 million during the previous year 1980-81.

2013. The department stated that there were various factors due to which gross profit had decreased. The main reasons attributable to this short fall were decrease in gross profit of ship-building, decrease in ship repaires activity and decrease in the profit margin of General Engineering and Foundry.

2014. Audit commented that the gross profit increased to Rs. 50.575 million in 1982-83 as against Rs. 14.232 million of the previous year. The increase was directly attributable to the improvement in General Engineering and Foundries profitability.

2015. The departmental representative informed the Committee about the present position of KS&EW in respect of procedure, financial aspect, productivity, shipbuilding and also improvements.

2016. After hearing the departmental representative the Committee felt that the position of the KS&EW was sound and the paragraph was, therefore, treated as dropped.

2017. *Sundry Debtors (Para 85, page 67-ARCA).*—Audit had reported that on 30th June, 1982, Sundry Debtors amounted to Rs. 35.245 million. [Strenuous efforts needed to be made to recover the old debts so that the same may not turn bad with the passage of time. After seeking certain clarifications from the departmental representative, the Committee decided to drop the paragraph subject to verification by Audit.

2018. *Increase of extra expenditure of Rs. 2.03 million on award of contract at higher rates (Para 10, pages 19-20-ARCA).*—According to Audit in October, 1975, Port Qasim Authority entrusted certain Civil Works to Airports Development Authority Limited, on rates to be negotiated. The rate analysis prepared by the consultants and adopted after consultation with the construction Company, assumed effeciency of the machinery to be used in the works at 50% whereas Planning Commission, while carrying out rate analysis of similar work in the nearby Steel Mills Project, assumed efficiency at 83% and 75% for new and comparatively old machinery respectively. The departmental representative explained to the Committee that it was actually 5%, 10% was site overhead, included in the analysis. Another 5% was given for the transportation of the machinery which was required during the process of negotiation.

2019. Audit commented why the work was entrusted to ADA and rates settled through negotiations instead of inviting open tenders to obtain competitive rates.

2020. *After some discussion, the Committee directed the departmental representative to intimate why rates were increased from 10% to 15%, how much of it was spent on this project and at what date it was paid. The information should be furnished to the Committee. The consideration of the paragraph was deferred.*

COMPLIANACE ON THE POINTS RAISED IN THE 1979-80 PAC REPORT

2021. *Reconciliation of Accounts with Audit (Para 522 page 184-PAC Report 1979-80).*—The Committee after going through the departmental reply, decided to drop the para.

2022. *Grant No. 18 Ministry of Communications (Page 35-AA).—(Paras 523-524—page 185-PAC Report 1979-80).*—The Committee did not make any observation on these paragraphs and as such these were treated as dropped.

2023. *Grant No. 23—Other Expenditure of Ministry of Communications (Page 38-44), (Paras 525—531, pages 185—187-PAC Report 1979-80).*—After going through the departmental reply and Audit comments no further observation was made by the Committee on these paragraphs.

2024. *Grant No. 141—Development Expenditure of Ministry of Communications (Page 161-AA) (Paras 532—535, pages 187-188-PAC Report 1979-80).*—The Committee after going through the Audit Comments did not make any observation on the above paragraphs.

2025. *Grant No. 173—Investment in Urban Road Transport Corporations (Page 207-AA) (Para 538, page 189-PAC Report 1979-80).*—The Committee decided to drop the above paragraph.

Grant No. 18—Function head "525-Ports and Shipping" (Page 35-AA) (Paras 539-540, page 189-PAC Report, 1979-80).

Grant No. 21—Function head "077—Administrative Training and Research (Pakistan Marine Academy)" (Page 36-AA) (Pages 541-542, page, 190-PAC Report 1979-80).

Grant No. 171—Capital Outlay on Ports and Shipping (Page 205-AA) (Para 545—549, pages 1990-191-PAC, Report 1979-80).

2026. The Committee after going through the departmental reply did not make any observation on these parargaphs.

Port Qasim Authority

2027. *Compilation of Accounts [Para 3 (i), page 6-PACA] (Paras 550-551, pages 191-192-PAC Report 1979-80).*—In compliance with the Committee's directive the Ministry stated that the accounts for the year 1979-80, duly approved, by the Board had already been sent to Director Commercial Audit on 23-4-1983. Audited accounts for 1980-81 sent on 15-3-1984 and these accounts were being published in the Report of Auditor General for the year 1982-83. Audit for the year 1981-82 was expected to be completed by the firms of Chartered Accountants by the end of April, 1984. In view of the above reply of the Ministry, the Committee decided that the paragraphs be treated as settled.

2028. *Notes on the Accounts (Para 240, pages 590-91-CA) (Paras 554—556, pages 192-193-PAC, Report, 1979-80).*—In compliance, Port Qasim Authority explained that the Ministry of Communications had approached to take up the matter in regard to charging of interest on U.K. Project Loans/Grant with the Finance and Economic Affairs Divisions to reconsider the decision of charging interest as per re-lending terms. Audit pointed in their comments that no progress had been achieved in the matter in the last three years.

2029. The departmental representative informed the Committee that in any case the Government had done something for Port Qasim by way of approving the project and many proposals were under consideration. The Committee was satisfied with the above departmental explanation and treated this paragraph as settled.

Pakistan National Shipping Corporation

2030. *Sundry trade Debtors (Paras 105 and 106, (Sr. No. 5) page 31-PAC Report 1979-80).*—In compliance, the Ministry stated that up-to-date position of Sundry Debtors as on 3-6-1983 had been depicted in Annexure I attached with the reply of the Ministry. It would be observed that most of the Sundry Debtors had been settled as on 30-6-1983. After examining Annexure-I, a member of the Committee drew attention of the departmental representative to outstanding amount of Rs. 33,781,635 for 1979 and suggested that it should be re-analysed.

2031. *Accordingly, the Committee directed that the debts should be re-analysed and a revised statement may be furnished to the PAC/Audit. The paragraph was, therefore deferred.*

2032. *Working Capital Gap (Para 220, page 103-ARCA) (Paras 557—561, pages 193-194-PAC, Report 1979-80).*—The Committee had previously directed that the question of the correctness of showing advances given for purchase of ships under construction as part of "Fixed Assets" should also be taken up with the Auditors. In compliance, the Ministry explained that matter had already been taken up with the Auditors. Thereupon, the Audit commented that despite lapse of five years, PAC directive had not been complied with.

2033. *In view of the position stated above, the Committee directed the departmental representative that P.N.S.C. should consider to showing this as work-in-progress.*

2034. *Bills receiveable (Para 222, Page 123-ARCA) (Paras 562-563, page 194-PAC Report 1979-80).—After going through the departmental reply and Audit Comments, the Committee directed the departmental representative to step up efforts for recovery/write off of the old receiveable as per their previous directive.*

2035. *Non-recovery of detention charges from a carrier—Rs. 518,931—(Para 358, page 35-PAC Report 1975-76) (Para 564, Page 194-PAC Report 1979-80).*—The Committee did not make any observation on the above paragraph.

2036. *Payment of Dividend (Paras 256—259, pages 71-72-PAC Report 1976-77) (Para 565, page 195-PAC Report 1979-80).*—In compliance, the Ministry informed the Committee that P.N.S.C. was not currently in a position to pay the overdue amount of dividend to Government. In view of the extremely poor liquidity position which was not likely to improve during next three to five years as to permit payment of dividend, it was not possible to indicate the time frame for clearance of this item. *After discussion, the Committee decided that instead of "dividend" the heading may be " amount payable to Government ".*

2037. *Freight receiveable (Para 426, page 116-PAC Report 1977-78) (Para 566, page 195-PAC Report 1979-80).*—The Committee did not make any observation on the above paragraph.

2038. *Review of fixed assets (Paras 427—431, page 116-PAC Report 1977-78) (Para 567, page 195-PAC Report 1979-80).*—Audit informed the Committee that write off of the loss had been verified by them. The Committee decided to drop the paragraph. The *Committee deferred the remaining paragraphs of Compliance Report on the Accounts for 1979-80 relating to Pakistan Post, Telegraph and Telephone Department to its next session.*

APPROPRIATION ACCOUNTS

Pakistan Post Office Department

2039. *Audit certificate on the financial Review (Section I-AA-Pak Post Office).*—No material observation was made by the Committee.

2040. *Grant No. 20—Post Office Department (Section II, pages 27—29 AA-Pak P. O).*—Audit exhibited an excess of Rs. 115,900 under "Charged" of this grant. The department explained in their written reply that the excess of Rs. 115,900 under "Charged" expenditure worked out to 0.51% which was negligible. However, a Supplementary Grant of Rs. 134,000 was demanded to meet the interest payable on actual expenditure under "Capital Outlay" booked during the year 1980-81 which was not agreed to by the Finance Division on the plea that such a petty shortage should be met by the Department within their sanctioned budgetory grant, although, it was made clear that such re-appropriation of funds was not permissible.

2041. The Vice-Chairman observed that excess needed regularisation and this excess had to be explained by the Department. The departmental representative informed the Committee that the Department had asked for Supplementary Grant for adjustment, but same was received late. Thereupon, the Vice-Chairman remarked that this was again something which was objectionable and may be Considered by the Finance Division. Excess grant was the prorogative of the legislature.

2042. *After discussion on the grant as a whole the Committee decided that while a saving of upto 5% of any grant does not call for any specific explanation, the excess of any amount howsoever small, must be explained by the department to the Committee. This should be reiterated to all the Ministries etc.*

2043. *Grant No. 171—Post Office Department (Section II, page 30-AA-Pak P.O.).*—Audit had reflected an excess of Rs. 151,009 under object "584—300 Capital Outlay on New Assets". The Ministry explained that an excess of Rs. 151,009 was due to non-release of funds amounting to Rs. 426,000 for the last quarter of the financial year 1981-82 by the Finance Division, although the expenditure had already been incurred. Had the budgeted provision been released fully there would have been a saving of Rs. 275,000 which worked out to 0.88% only. In view of the position stated above the Committee did not make any observation regarding this grant.

2044. *The Committee decided to defer to its next session consideration of the remaining Accounts for* 1981-82 *of the Ministry of Communications* i.e. *Audit Report and Appropriation Accounts of Pakistan T & T Department.*

2045. The Committee then adjourned to meet again at 9.00 a.m. on Tuesday, the 8th January, 1985.

M. A. HAQ,
Secretary.

Islamabad, the 20th February, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 24th March, 1986

Sixteenth Sitting (PAC)

*2594. The Public Accounts Committee assembled at 9.30 a.m. in the State Bank Building, Islamabad, to continue examination of the left-over Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, Member, National Assembly .. .. — *Chairman.*

(2) Sardar Aseff Ahmad Ali, Member, National Assembly *Member.*

(3) Rai Arif Hussain, Member, National Assembly *Member.*

(4) Ch. Muhammad Sarwar Khan, Member, National Assembly. *Member.*

(5) Mr. Shahabuddin Shah Hussainy, Member, National Assembly. .. .. — *Member.*

(6) Mr. Miangul Aurangzeb, Member, National Assembly. *Member.*

(7) Shahzada Jam Muhammad Yousaf, Member, National Assembly .. .. *Member.*

National Assembly Secretariat :

(1) Mr. M.A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(3) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(4) Mr. Muhammad Saleem Siddiqui, Accountant General, Pakistan Revenues.

(5) Mr. S.T. Rehman, Director General of Audit, PT&T.

Ministry of Finance :

(1) Mr. Tanwir Ali Agha, Deputy Secretary (Budget).

(2) Mr. H. Akhtar Niazi, F.A. (Communications).

(3) Mr. Hussain Ahmed, D.F.A. (Communications).

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*Paragraphs upto 2593 pertain to other Ministries/Divisions.

MINISTRY OF COMMUNICATIONS

2595. *Accounts examined.*—Accounts pertaining to the Ministry of Communications (only PPO & PTST) for 1981-82 were examined by the Committee during the course of the day. The following departmental representatives were present :—

(1) Mr. R.A. Akhund, Secretary.

(2) Mr. S.H. Raza, Joint Secretary (T&C).

(3) Mr. Abdul Rahman Khan, Joint Secretary (A&R).

(4) Mr. S. Ibrahim Shah, Deputy Secretary (A).

(5) Brig. (Retd). Mansur-ul-Haq Malik, DG (T&T).

(6) Mr. S.M.F. Hasan, Director General (PPO).

(7) Brig. Mazhar Hussain Kawish, DG (SCO).

(8) Mr. Nazir Hussain Shah, G.M. (NTRC).

(9) Mr. Zulqarnain Qureshi, Chief Accounts Officer (T&T).

(10) Mr. Muhammad Younas, Section Officer (F&A).

(11) Mr. Muhammad Asghar, A.O. (PAC).

2596. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Pakistan Telegraph and Telephone Department ..	21
2.	Capital Outlay on Pakistan Telegraph and Telephone Department	172

2597. *The Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Ministry for the year 1985-86 had n ot yet been completed upto 12/85. *As such the Committee directed that the outstanding work of reconciliation of accounts should be up-dated expeditiously.*

AUDIT REPORT

Pakistan Post Office Department

2598. *Losses/Defalcation of Public money in Post Office (Chapter-II) (Para 1 (d), pages 19-21-AR-PPO).*—The total number of cases of defalcations or losses of Public money reported were 40 involving total amount of Rs. 2,566,017. A comparison with previous years indicated that there was an increase in the number of cases and amounts involved. It was also observed by Audit that the employees of the department were responsible for 83 percent of the total amount of defalcation. Persons unconnected with the department were responsible for 17 percent of the total amount.

2599. The department explained that in a case in Mardan Head Post Office, an amount of Rs. 1,687,715 was misappropriated by an official working as treasurer by making fraudulant remittances to a district Treasury Office between the period December, 1979 and May, 1982. The misappropriation could not come to light as the reconciliation was not made during this period. An amount of Rs. 410,226 was looted at Karachi G.P.O. on 1-9-1982, when two Dacoits snatched the cash of the pay of the staff from the cashier at Pistol Point. The Dacoits were arrested and the case under Police investigation. As for the remaining amount of loss of Rs. 468,076 , the department employees involved were being proceeded against the disciplinary action.

2600. The Audit representative pointed out that the particulars of the amount of recovery of Rs. 346,524 have not been intimated despite reminder, and the action taken against the officers/officials responsible for inefficient watch over reconciliation work was also not reported.

2601. The Chairman expressed concern over the manner in which the case had been handled. It took 5 to 6 years in replying and settling it with Audit and enquired about the position of reconciliation work now.

2602. The department explained that the laid down procedure for reconciliation of amounts of remittances was being followed in post officers now. A member wanted to know the up-to-date position of recovery and the amount still remained to be recovered. The department reported that an amount of Rs. 6 lacs had since been recovered and amount of Rs. 2,046,000 had yet to be recovered.

2603. On a query from the Chairman regarding the disciplinary action against officers/officials responsible for facilitating these frauds and losses, the department explained that two class-I officers were being proceeded against and 14 to 15 employees had been punished.

The Committee, after discussion, directed that audit should verify the position of implementation of rules of procedure pertaining to reconciliation and the amount of recoveries said to have been made. The Committee further desired to see in the next meeting the details of disciplinary action taken in this case, and recovery pos on duly verified by Audit. The paragraph was deferred.

2605. *Misappropriation of Rs. 637,509 (Chapter-II) (Para 2.1 (a), page 21 AR-PPO).*—The Audit had pointed out that an amount of Rs. 624,132 was misappropriated during 1976-77 by transfer of bogus saving bank account from Jhelum Head Post Office to other Head Post Offices. The department explained that on

Mr. Intizar Hussain, *ex*-cashier, Jhelum Head Post Office committed the fraud by transferrin bogus saving bank accounts from Jhelum Head Post Office to the other Head Post Offices and subsequently made withdrawals through take accounts.

2606. A member pointed out that there appeared to be some flaw in the system. Had any action been taken to correct the procedure to avoid recurrences ? The department explained that the procedure for opening saving bank accounts by transfer had been changed and now the saving bank accounts were opened after obtaining telegraphic confirmation from the transferring Head Post Office.

2607. The Audit thereupon pointed out that there was no provision of telegraphic confirmation in the revised procedure the revised procedure which would not be effective unless it provided that the saving bank account on transfer would be opened/operated on receipt of a separate authority letter in confirmation of advice of transfer from the transferring head post office under the signature of the Head Post Master.

2608. The departmental representative further explained that the main culprit Mr. Intizar Hssain, *ex*-clerk stood dismissed from service and was under trial in the court of Special Judge, Rawalpindi. His two collaborators who were outsiders, had been declared proclaimed offenders. In response to a query as to why the case was not sent to he Marhtal Law Court, the departmental representative explained that the Martial Law Court did not agree to try this case.

2609. The Chairman enquired as to what action had been taken against the officials and supervisory officers who were found responsible for negligence in this case. The department explained that an officer was compulsorily retired. The Chairman observed that this was no action.

2610. The Committee directed that the new procedure should be reviewed in consultation with Audit, and the case should be persued vigrously. With these observations, the paragraph was dropped.

2611. *(Chapter-II) (Paras 1(e) 2.1 (b) & (C), 2.2, 3, 4, 5, 6.1, 6.2, 6.4, 7 and 8, pages 8a28-AR-PPO)*.—After considering departmental reply and audit commments thereon, the Committee dropped these paragraphs subject to verification of recoveries and regularisation action etc.

2612. *Irregular payment of daily allowance of Rs. 30,726 (Chapter-II), (Para 6.3, page 26.AR-PPO)*.—Audit pointed out that the daily allowance was paid to the officials during 1980-81 for staying out of Headquarters for a period of only 2 to 4 hours whereas it was admissible in cases where a Government servant remained outside the headquarter for more than 8 consecutive hours. The departmental representative explained that the daily allowance was paid to the officials who travelled beyond 10 miles readius in accordance with the Finance Division letter dated 17-10-1973.

2613. Audit representative intimated that in accordance with the decision of the Finance division dated July, 1985 the limit of 8 consecutive hours absence from headquarter was applicable where the tour commenced and ended on the same day, thus the amount was recoverable. Thereupon the departmental representative brought to the notice of P.A.C. that the decision of the Finance Division referred to by Audit was withdrawn on 28-7-1985 and was no more applicable. The contents of letter dated 28-7-1985 were also read out. It was also reported that the matter had since been referred to the Finance Division.

2614. *The Chairman observed that a copy of the earlier decision may be supplied to Audit and Finance Division may be asked to decide the matter at an early date. The paragraph was deferred.*

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2615. (*Paras 571-72, page 196-PAC Report 1979-80*).—Audit pointed out that the Ministry was to give a presentation on the question of charging of interest on investment and on relending terms but no such report had so far been received by the P.A.C. The department explained that it would check up if a reply was to be submitted by the department of Ministry of Finance.

2616. *The Committee thereupon directed that a report of the Ministry should be expedited for consideration in the next meeting. The paragraph was deferred.*

2617. (*Para 1111, page 321-PAC Report 1979-80*).—The Chairman wanted to know the action taken against the defaulters in accordance with the previous directive of the P.A.C. in the matter. The department explained that warnings had been issued to the officers concerned. It was, however, pointed out that there was no misappropriation in this case. Certain amounts were expended in excess of the approved budget due to booking of unexpected debit during the year.

2618. The Chairman asked Audit if they had any objection. The Auditor-General reported that it was a matter of principle, This paragraph was discussed earlier. The explanation now given was quite different from that given earlier. It was up to the department to see that rules and regulations were observed while incurring expenditure. If they take care of rules and regulations on the subject and furnish correct explanation, the Audit would have no objection.

2619. *The Chairman thereupon directed that the P.A.C. must be furnished with correct replies by the Ministries. Any wrong or factually incorrect reply should be viewed seriously. Its directive should be conveyed to all the Ministries.*

2620. (*Para 1112, page 321-PAC Report 1970-80*).—Audit informed the Committee that departmental reply was under verification. Audit views would be furnished to the Committee in due course.

2621. (*Paras 23-24, page 8*) (*Paras 31-41, pages 10-13*) (*Paras 43-55, pages 13-17*) (*Para 58, page 18*) (*Paras 65-82, pages 20-24*) (*Paras 153-158, pages 44-46*) (*Paras 568-569, pages 195-196*) *and* (*Paras 1110, page 321-PAC Report 1979-80*).—On recommendation of Audit, the Committee decided to settle the above paragraphs.

APPROPRIATION ACCOUNTS (PT&T DEPARTMENT)

2622. *Grant No. 21—PT&T Department* (*Section-II*) (*Page 27-AA-PT&T*).—Audit had pointed out the saving of Rs. 38,674,737 under this grant. The department explained in reply that the figure of final grant had not correctly been shown as amount of Rs. 27,489 million on account of supplementary grant had not been accounted for by Audit. Audit pointed out that difference of Rs. 27.489 million of supplementary grant was due to the fact that this supplementary grant did not appear in the book of supplementary budget.

2623. The departmental representative stated that the Finance Division gave its concurrence to this supplementary grant and go ahead signal also to the expenditure but did not include it in the book of supplementary budget. Thereupon the representative of the Ministry of Finance explained that the Ministry had to submit the schedule on a particular date. The cut off date was April whereas schedule was received in June. So, unless the schedule was received in time it could not be incorporated in the book of supplementary budget.

2624. Audit explained that the month of April and May are generally period of peak expenditure. It did not appear appropriate not to accept applications for supplementary grant during this period. The existing procedure was required to be streamlined so that such a embarrassing situation should not arise in furture.

2625. *Thereupon, Chairman directed that the existing procedure should be re-examined by the Ministry of Finance keeping in view that the funds were not stopped at so early a stage before the end of year, and neither a clear chit was given to the department for pending.* The paragraph was deferred.

2626. *Grant No. 172—Capital outlay on PT&T Department*, (*Section-II*) (*Page 30-AA-PT&T*).—Audit pointed out that the provision for expenditure in Foreign Exchange was not available for expenditure in local currency. The departmental representative explained that the expenditure booked in local currency was in Pakistani Rupee but the expenditure was incurred in Foreign Exchange whereas the debit was received for booking in local currency. Audit stated that it was a matter of details of expenditure booked in local and foreign currencies and audit would sort it out with the department. Subject to verification by Audit, the paragraph was dropped.

AUDIT REPORT (PT&T DEPARTMENT).

2627. *Audit Review of Performance (Chapter-I) (Para 1, page 43-AR-PT&T).*—After consideration of the reply of the department and audit comments thereon, the committee dropped the paragraph subject to verification by audit.

2628. *Telephone Connections (Chapter-II) (Para 2, page 61-AR-PT&T).*—Audit had pointed out that according to the departmental standard, 95% installed capacity was considered to be useable capacity. Only Islamabad was nearest to this standards as 90.63% capacity was utilized there. Overall 78.50% capacity was utilized and the rest of the useable capacity (*viz.* 64,927 Telephones Connection/Lines) remained idle, which if utilized could have earned revenue to the extent of Rs. 393.405 millions on the basis of average revenue earned per working telephone. Useable capacity remained idle on one hand (which caused the above loss of revenue) while 223,000 applications remained pending on the other hand and Telephone Connection were not provided to the applicants.

2629. The departmental representative explained that the telephone connections to general public are provided on the basis of cables laid and of distribution point installed in certain localities of an exchange area and not on the basis of exchange capacity. However, up to 5% telephone connection were also kept in reserve for Civil/Defence/Military authorities. Since the department did not invest on laying cables and installing the distribution point, no loss was involved in this case. The loss pointed out by audit was not based on facts. The Departmental representative further explained that the position, however, had now changed and the exchanges were now generally over loaded up to 105 to 110%.

2630. The departmental representative explained that extension on the connection was generally treated as half telephone connection and due to heavy demand they were doing maximum to accommodate pending applications. There had however been certain practical and technical difficulties in loading exchanges according to capacity.

2631. The Chairman enquired if the department had some definite plan to cope with the increasing demand of telephone connections from public. The departmental representative stated that they did have definite plan. He further stated on an enquiry of a member that telephone factory was producing more than its capacity.

2632. A member observed that although exchanges were installed a few years back, these could not be used to full capacity because, as the department had stated that the people were not coming forward to get telephones, but it was understood that certain people who applied five years back could not get the telephone connections, where as some people got the telephone without number. It was a genuine public grievance which had earned a bad name for the department.

2633. The departmental representative explained that one reason for not installing telephones was shortage of funds and the other main reason was that allocation of the applicants was so wide spread that it was uneconomical sometime to go beyond the particular limit. As for other methods used to allow telephone connections there had been complaints and department could not contradict, by and large, the social problems and undertook to get it investigated and take a note of it. Normally, there were very few cases. The right course would be to eliminate short supply.

2634. The Chairman observed that unless we eradicate corruption, the problem could not be solved. The department should take disciplinary action against the employees responsible for mal-practices.

2635. The departmental representative explained that the Department was not in a position to take disciplinary action against officers of Grade 17 and above. It was a very lengthy procedure and the Director General even could not suspend an officer of Grade 17.

2636. The Chairman observed that, as far as, corruption was concerned it was the department who should handle it. It could not be tolerated.

2637. After discussion, *the PAC issued the following directives* :—

(i) *The decision about digital exchange should be taken early.*

(ii) *The corruption in the department for sanctioning telephone connections must be dealt with effectively. The department should again go over this question for taking action and making suggestions.*

(iii) *The department should, as far as possible, be given funds according to allocation set under the plan. This may be brought to the notice of Ministry of Finance and Planning Division. The paragraph was deferred.*

2638. *Realization of Revenue* (*Chapter-II*) (*Para 3, pages 63-64-AR-PT&T*).—Audit had pointed out that the total amount outstanding was Rs. 654.355 million on 30th June, 1981 which had risen to Rs. 857.416 million on 30th June, 1982. The increase in the outstanding telephone dues during 1981-82 showed that the department had not been able to show an improvement in effecting the recoveries of the outstanding dues from various agencies.

2639. The departmental representative stated that the major outstanding dues were against Government and Semi Government subscrib rs. The payment of telephone bills from them was received usually after 2 to 3 month from the date of issue of bills. The department was also considering proposal of levying surcharge on the bills not paid on due date. The department also proposed magisterial powers for T&T officers to which the Justice Division had already issued " no objection ". The Audit objection pertaining to rebate calculations also came under discussion. The department explained that all such cases were decided by a high level committee. *After discussion the Committee issued the following directives :—*

(i) *The department must tighten up internal control both in regard to consumers and departmental Officials.*

(ii) *The prescribed procedure for recoveries must be followed promptly.*

(iii) *The suggestion that magisterial powers be conferred on some T&T officers to recover T&T arrears, as " arrears of land revenue,", and that government may also appoint special officers for recovery of T&T arrears, needs to be examined and processed.*

(iv) *Serious action should be taken against those in the department, who were found responsible for the accumulation of large arrears.*

(v) *The department should set up high powered committee for mooting concrete proposals in order to deal effectively with arrears which may relate to (a) procedure (b) control (c) modelities of safe-guarding against arrears.*

2640. The paragraph was settled subject to the observation that position will be reviewed alongwith the report of the next year.

2641. *Loss due to non-recovery of telephone dues exceeding Rs. 52 million (Chapter-II) (Para 5.1, pages 65-66-AR-PT&T).*—The Audit had pointed out that telephones were not disconnected promptly due to non-payment, and were generally disconnected when heavy arrears against those had accumulated. The arrears against disconnected telephones had accumulated to more than 5 crores at Lahore and Karachi.

2642. The departmental representative stated that the amount of arrears was more than 21 crores at National level which had accumulated during last 38 years. All possible steps were being taken to recover these arrears. The position would have been much better, if magisterial powers were vested in T&T officers. The Audit representative pointed out that aging of such arrears should be provided, so that PAC could know the amount of old arrears and current arrears.

2643. *Chairman took serious view of the alarming position of arrears and directed that department must initiate action against the officers/officials due to whose negligence these arrears had accumulated. Vigorous efforts should also be made to recover the outstanding arrears.*

2644. *Unallotted telephones—Rs. 33.587 million (Chapter-II) (Para 5.2, page 66-AR-PT&T)*.—The *Committee directed the departmental representative to look into this case and expedite it.*

2645. *Non-Production of records showing the receipts and disposal of 152,874 yards cable valuing Rs. 726,626 (Chapter-III) (Para 2.1 pages 74-75-AR-PT&T)*. Audit had pointed out that records for receipt and disposal of 152,874 yards cable were not produced which showed that the cable was not accounted for. The departmental subsequently produced accountal of 107,539 yards and the remaining 45,335 yards still remained to be verified. The departmental representative stated, that there were few cases only and the accountal of stores should be given importance. Ordinarily, bifurcation of units should not be an excuse for non-accountal of receipts and disposal properly.

2646. The P.A.C. directed that the records should be located and produced to Audit without any delay. Paragraph was dropped subject to verification by Audit.

2647. *Non-accountal of stores and Equipment valuing Rs. 440,088, (Chapter-III), [Para 2.7 (ii) & (iii) pages 77-78-AR-PT&T]*.—The Audit had pointed out non-accountal of wireless equipment/stores, one generator set, and other stores. *The Chairman observed that D.G. T&T should take up the matter at personal level and cases should be finalized. Write off action should also be considered where necessary. The department should come back after finalizing action on each sub-paragraph, and getting it verified from Audit. The paragraph was deferred.*

2648. *Loss of Rs. 168,750 due to short receipt of stores from the firm (Chapter-III) (Para 2.9, pages 79-80-AR-PT&T)*.—As per Audit Report, stores valuing Rs. 168,750 were short supplied by a firm, and resultantly the work for which materials were purchased could not be completed. The department did not take action to make good the loss. The departmental representative explained that being an old case, the relevant records has been destroyed on the expiry of preservation date. The Audit observed that records should not have been destroyed, when the case was pending.

2649. The Chairman observed that this was some thing very serious. The department should proceed against those who were responsible for destruction of records. The department promised to take action against those who destroyed the records in presence of instructions on the subject.

2650. *The P.A.C. directed that in future no records pertaining to cases in which Audit objection or investigations were pending should be destroyed, till such cases were finally settled. The directive is applicable to other departments also. The compliance should be reported to P.A.C. The paragraph was deferred.*

2651. *Misappropriation of stores valuing Rs. 122,745 (Chapter-III) (Para 2.11, page 80-AR-PT&T).*—The Audit had pointed out non-consumption of iron screws valuing Rs. 122,745, and non-maintenance of prescribed record. Department in reply explained that the value of the iron screws procured was less than what the Audit had pointed out. The audit representative explained that a party was deputed to verify the stand taken by the department but the departmental could not get the records verified.

2652. *The Chairman observed that it was not fair to call for audit team for verification and then not to supply them required documents. The department should get the records verified by audit. The department promised to produce relevant records to Audit now. The paragraph was deferred.*

2653. *Loss of Rs. 135,997 owing to shortage of underground cable in Telegraph store Depot, Karachi (Chapter-III) (Para 2.17, page 83-AR-PT&T).*—As per Audit 10,618 yards underground cable of different nomenclature valuing Rs. 135,997 was found short. The department in their reply stated that there were shortages and surpluses pointed out by the stock verifier, as such discrepancy statement was prepared to adjust the shortages against the surpluses. The unadjusted shortages were traced out and credited to the store ledger in accordance with the rules.

2654. Audit, however, pointed out that the reply of the department was not based on facts. The adjustments pointed out were not for the shortage of 10,618 yards cable. The credit of only 2,684 yards cable could be verified. The value of remaining 7,934 yards cable was required to be recovered or written off. The Audit, also pointed out that during a meeting, the department had asked to get the records verified but on verification nothing was found in support of departmental contention. Chairman observed that during the last 20 years facts could not be verified.

2655. The department promised to get the records verified by Audit and to hold an enquiry for fixing responsibility for recovery. The Chairman observed that it was a bad precedent and something definite must be produced in the next meeting.

2656. *The P.A.C. directed that department should hold enquiry and take action against the defaulters responsible for the shortage under intimation to Audit. The report should also be submitted to PAC. The paragraph was deferred*

2657. *Loss of Rs. 77,089 due to fictitious entries in store accounts (Chapter-III) (Para 2.18, page 83-AR-PT&T).*—Audit had pointed out that the cables were transferred from one unit to the other but numerical accounts were not maintained.

The department explained that in this case records were also transferred from one unit to another and being a very old case, the records could not be traced. The P.A.C. did not make any further observation. The paragraph was dropped.

2658. *Loss of cable drums costing Rs. 12,285 (Chapter-III) (Para 2.19, page 84-AR-PT&T)*.—The paragraph was settled.

2659. *Loss of Rs. 304,140 on integrating Cento Microwave Link (Chapter-III) (Para 3.2, pages 84-85-AR-PT & T)*.—Audit had pointed out that expenditure of Rs. 662,896 was incurred on installation of carrier system to integrate Cento Microwave Link with national net-work. The installation and subsequent dismantling resulted in a loss of Rs. 304,140 owing to cost of installation, dismantling and unserviceable stores, custom duty, sales tax etc. paid thereon.

2660. The department explained that the change was necessitated due to national emergency in the country during war in 1965. The actual loss was much less than what had been pointed out by Audit, which was few thousands, in shifting of equipment. The P.A.C. accepted the explanation of the department and the paragraph was dropped.

2661. *Loss due to local purchase at higher rates Rs. 16,493 (Chapter-III) (Para 3.6, pages 86-87-AR-PT & T)*.—As per Audit Report certain materials were purchased at rates higher than those approved by competent authority. The department admitted that the purchases were made at higher rates as the approval of the competent authority was received late. The rate of Rs. 4.25 was valid for 1975-76 and in 1977 price was of little higher.

2662. The Chairman observed, "The practice of purchasing stores at rates higher than approved rates is not valid and it should be discontinued if not already done, morally it is not correct. The departmental officer should be careful in future." The paragraph was dropped subject to above observation.

2663. *Loss of Rs. 959,787 due to un-economical purchases (Chapter-III) (Para 3.7, pages 87-88-AR-PT & T)*.—Audit had pointed out that a contract for two years was entered into, with an agency for supply of ducts at the rate of Rs. 28.80 per duct although this item was manufactured in departmental factory at the rate of Rs. 19.80 per duct. The department stated in reply that the production at departmental factory was not sufficient to meet the estimated requirements at the time of floating of tender and that the rate of department ducts did not include pay and allowances and depreciation charges etc.

2664. The audit contradicted the reply of the department with facts and figures. Departmental representative explained that they had purchased the machineries from abroad with the object of local manufacturing of ducts. Some of these ducts were being produced by this machinery. Some of the ducts had to be purchased from open market at higher prices. In fact price factor was not kept in view at that time. P.A.C. was assured that such purchases would not be made in future.

2665. *The P.A.C. directed that an enquiry should be held in this case and due action should be taken against those responsible for this irregularity resulting in loss. The result of enquiry alongwith action taken should be reported back to the P.A.C. The paragraph was deferred.*

2666. *Loss of Rs. 67,678 due to transportation of Tower Material at higher rate (Chapter-III) (Para 3.14, page 91-AR-PT&T).*—Audit had pointed out that the department entered into contract for transportation of materials at the rate of paisa 12 per K.G. per KM, whereas during the currency of this contract quotation for transportation of Antenna Dish from other contractors at the rate of Rs. 2.45 per 100 Cft per miles were accepted and carriage made through work orders. This resulted in a loss of Rs. 45,595. Again the case of transportation of Radio and Power plant enquipment were also carried out at the rate of Rs. 2.45 per 100 Cft per mile although the former contractor was willing to carry out the work at the rate of paisa 12 per K.G. per K.M. This resulted in further loss of Rs. 22,083.

2667. The department explained in reply that the original contractor refused in writing to carry out transportation of Antenna Dishes and radio power plant equipment at contracted rate of Paisa 12 per KG per KM. The department also explained the difference of Antenna and Tower equipment.

2668. Audit representative pointed out that the reply was not based on facts. No such refusal to carry out the work was shown to Audit at the time of verification during December, 1984. The reply appeared to be an after thought. Moreover, originally the contractor gave his willingness in June, 1978 to transport cases containing radio power plant equipment at approved rate, but the work was not got completed through him. The scrutiny of quotations and refusal dated 2-5-1977 also appeared to be fictitious. As the approved contraetor refused to carry out the work, some action was required to be taken against him whereas no such action was taken.

2669. *The P.A.C. directed that a probe should be made in this case for getting fictitious quotations, and the irregularity pointed out in the audit paragraph and audit comments thereon. The action should also be taken against those responsible for the loss under intimation to Audit. The paragraph was deferred.*

2670. *Loss of Rs. 75,589 on dismantlement of works due to improper planning (Para 3.15 page 92-AR-PT&T).—The Committee observed that it had already been decided in principle not to destroy the record pertaining to cases in which Audit* *objection or investigation were pending till such cases were finally settled. The Department should proceed against those who were responsible for destruction of records.*

2671. *Excess payment of Rs. 2,160,932* (*Chapter-III*) (*Para 4.1, pages 95-96-AR-PT&T*).—Audit had pointed out that the excess payment of Rs. 2,160,932 was made to the contractor by payment for consumption and fabrication of steel in excess of the prescribed consumption as per approved design. The department explained that the officer was removed from service in an other an case, but has been reinstated by the Services Tribunal. The department was waiting his reporting back for initiating disciplinary action against him in this case and other such cases. *The Committee deferred the paragraph.*

2672. *Financial loss due to entrusting of work to un-approved contractors-Rs. 158,274.* (*Chapter-III*) (*Para 4.2, pages 96-97-AR-PT&T*). As per Audit Report the building maintenance work were got executed through un-approved contractors at higher rates as compared to the rates paid to the approved contractors for such works. The department explained that these were petty works of capital nature and were not maintenance works. Audit pointed out that since the expenditure was charged to the maintenance grant, how the works were classified as petty work of capital nature.

2673. The Auditor-General stated that all this expenditure was incurred near about 30th June. The work was commenced and completed on 23rd June. The quotations were called on 25th June and were accepted on 27th June. This whole affair was required to be enquired into.

2674. A member then pointed out that it was a general tendency all over for incurring expenditure at the end of the year. Some solution should be found. Audit, Finance and department should get together and do some-thing to check this tendency.

2675. The Auditor-General explained that rules on the subject were very clear. It was implementation which mattered. Accountability was needed so that other should be careful.

2676. After discussion of the reply of the department, *the Committee took the following decisions* :—

(i) *The department should hold an enquiry with Audit association within one month and report the action taken to PAC.*

(ii) *The Auditor-General and Ministry of Finance should go into the problem of pending the entire budget within the financial year and make their considered suggestions in this behalf, as hasty expenditure towards the end of the year leads to a number of avoidable irregularities.*

2677. *Excess payment of Rs. 14,000 to installers (Chapter-III) (Para 4.8, page 100-AR-PT&T).*—The paragraph was dropped.

2678. *Irregular expenditure on replacement of telephone sets Rs. 1,018,060 (Chapter-III) (Para 5.2, pages 101-102-AR-PT&T).*—Audit had pointed out that the department replaced telephone sets and charged the expenditure to T&T funds whereas it was recoverable from the subscribers. The departmental representative explained that there were many such cases and 3,760 telephone sets were replaced, in one Zone. The Department under-took to hold an enquiry in the matter.

2679. *The Committee decided that department should hold an enquiry within one month and report back to the Committee. The paragraph was deferred.*

2680. *Unauthorised expenditure of Rs. 144,260 on the purchase of 2 Toyota Hiace Vans (Chapter-III) (Para 5.14, page 108-AR-PT&T).*—As per Audit Report two Toyota Vans were purchased at the cost of Rs. 144,260 without allotment of funds, without approval of estimates and without any justification. The department explained that the officer responsible for the irregularity has since retired and no action could be taken against him at this stage. This purchase had, however, been regularised.

2681. Audit pointed out that no action was taken against the officer responsible for this irregularity which was admitted in 1980 whereas the officer retired in 1982. Something must be done to check this practice in future.

2682. Chairman observed that it was very simple to commit such irregulairty before retirement and then to retire. The matter will automatically be regularised.

2683. A member then pointed out that department should explain as to why no action was taken against him during those two years. PAC will not accept this sort of situation.

2684. *The Committee decided that a general directive should be issued on the following lines :—*

> *"Prompt action must be taken by the department whenever any irregularity is pointed out by Audit. Explanation furnished subsequently for non-action will not be acceptable to P.A.C."*

> *The Committee also directed that the department should furnish explanation as to why no action was taken against defaulter officer between 1980 & 1982 before the officer was retired.*

2685. *Irregular payment of Rs. 89,110 to foreign contractor without the satisfactory completion of works (Chapter-III) (Para 5.16, page 109-AR-PT&T).*—Audit had pointed out that payment of installation of Airconditioner units was made to the firm without enforcing terms of the contract of satisfactory completion of work. The department had to incur extra expenditure to bring the units in working condition, thus the department sustained a loss of Rs. 89,110.

2686. The department explained that his was an old case and the records had been destroyed. The Committee observed that some action should be taken against those who destroyed the records of under objection works and the matter regularised. The audit should verify the action taken. The departmental representative promised to hold an enquiry.

2687. *The Committee directed that an enquiry should be held in this case within two months. The paragraph was deferred.*

2688. *Wasteful/doubtful expenditure of Rs. 2,425,278* (*Chapter-III*) (*Para 6, page 110-AR-PT&T*).—Audit had pointed out that expenditure on installation of VHF Single Channel System proved wasteful, as these sets did not prove successful and were dumped before these could fetch any revenue. The department had not investigated the loss.

2689. The departmental representative explained that these were not 66 sets but 502 sets were purchased out of which 72 were found faulty. These Wireless sets were purchased under Barter Scheme and D.G. T&T himself visited the country of purchase to satisfy that these were in order. There was, however, nothing on record to show that large scale trials were conducted. The Department now introduced check by research laboratories etc. and good and bad factors were being taken into account while making such purchases.

2690. A member pointed out that there were two type of systems, one was American and the other Japanese, which system the department was going to follow. The department replied that they were now following the Japanese system. *The Chairman then observed that Pakistan cannot afford such costly experiments and will have to go scientifically to avoid such losses. The PAC would like an explanation for it.*

2691. *The P.A.C. directed that either explanation for those who asked for Hungarian barter should be obtained within one month or it should be established that the equipment was thrusted upon the department by pressure. The department should also lay down measures to guard against any such situation in future. The paragraph was deferred.*

2692. *Doubtful expenditure of Rs. 501,495* (*Chapter-III*) (*Para 6.2 pages 110-111-AR-PRT&T*).—Audit pointed out that cash expenditure on works requiring use of store were incurred without any stores having been issued which showed that works were not actually carried out and payments were made. The department in their reply stated that stores stood issued. Audit observed that issue of stores after two to three years of completion of work meant, that this had been done to cover audit objection. The departmental representative promised to hold an enquiry in this case.

2693. *The P.A.C. directed that an enquiry should be held within two months, and report submitted to P.A.C.*

2694. *Unjustified and wasteful expenditure on transportation (Rs. 192,000 (Chapter-III) (Para 6.4, page 112-AR-PT&T).*—Audit pointed out that private trucks were hired, whereas government trucks were available and standing idle for transportation of stores. The department explained the difficulties which were being experienced in handling stores of various weights and volumes all over Pakistan.

2695. The Committee accepted that explanation and dropped the paragraph.

2696. *Irregular payment to casual labour, Rs. 3,779,695, (Chapter-III) (Para, 7.1, pages 114-115-AR-PT&T).*—As per Audit Report casual labour was employed for maintenance of telephone exchange equipments as a regular feature, in addition to employment of regular establishment for this purpose. The department explained that this establishment was being reduced gradually. The expenditure on this account was Rs. 72 Lacs during 1982-83. This had been reduced to 60 Lacs during 1983-84. There were 110 employees for one thousand telephones which had been reduced to 72 and were considered the bare minimum. There was still some mis-use and the Department intended to further reduce it to 40 to 50 as it was not possible to go beyond that. One reason for employing casual labour was time lag in sanctioning regular strength.

2697. The Chairman enquired as to why the department had not kept the staff of bare minimum requirement on permanent basis. The departmental representative explained that the expenditure would be three fold in that case. Audit observed that the reduction was there, but not at desired rate.

2698. The P.A.C. directed that the time lag in the sanction of regular staff, where it had to be provided, should be avoided, as this gave rise to employment of contingent staff, leading to irregularities. Casual labour problem will be watched while considering next year Report and the paragraph was dropped.

2699. *Irregular payment of Rs. 1,427,632 without proper records and details of work done (Chapter-III), (Para 7.2, pages 116-117-AR-PT&T).*—Audit pointed out that payments to casual labour amounting to Rs. 1,427,632 were made during 1980-81 but neither proper ex-records in support nor details of work done by the said labour, were maintained. The department assured the P.A.C. that proper records as required under the rules were now being maintained and would be maintained in future.

2700. The PAC observed that department must ensure to maintain proper records and the paragraph was dropped.

2701. *Irregular Payment to coolies-Rs. 29,745 (Chapter-III), (Para 7.3, page 119-AR-PT&T).*—As per Audit Report a payment of Rs. 29,745 was made to coolies by an officer although coolie man-days were disallowed by the Divisional Engineer. The department explained that it was the same man, who was removed from service and was subsequently reinstated by the Services Tribunal Disciplinary action was involved in this case, which would be taken when he joined service.

2702. *The PAC directed that suitable action should be taken and the Committee informed about it.*

2703. ***Blocking of Capital due to non-installation of plant and machinery valuing Rs. 20,198,890 imported in 1977, (Chapter-III), (Para 9.1, page 121-AR-PT&T).***—Audit pointed out that plant and machinery valuing Rs. 20,198,890 was imported under commodity exchange programme during 1977 from Sweden in order to expand the telephone system by 25,000 lines each. The equipment was imported for duct factory then there was to provision in any project. The machinery was not used. A part of machinery valuing Rs. 15,287,057 was lying in the open and might have deteriorated. An amount of more than Rs. 12 million had since been paid as interest on this investment.

2704. The Chairman observed that this was of very serious matter as an amount of about Rs. 2 crores was spent in 1977 and this amount remained blocked for years without any result. The explanation furnished by the Department was not satisfactory.

2705. *The Committee directed that an enquiry should be held within a month and full explanation furnished as to why it was imported, when there was no provision in the project. The responsibility should be fixed and action taken against the defaulters, the paragraph was deferred.*

2706. ***Blocking of Government Capital of Rs. 3,637,800 on account of non-utilisation of stores procured against the 6th ,10th Netherlands N.I. Bank loan, (Chapter-III) (Para 9.2, pages 121-1222 AR-PT&T).***—As per Audit Report the stores valuing Rs. 3,637,800 were procured against a foreign loan and could not be utilized for 5 years. Thus an irregularity of blocking of government capital was committed. Audit representative further pointed out that this was blocking of government money, which could have been better utilized elsewhere, had proper planning been carried out.

2707. The departmental representative explained that in this case the department functioned as contractor. It was the planning Division who planned it. As for the responsibility for delay, it was the T&T Department which was responsible and not the Planning Division. It was a stand by arrangement and government money had been properly utilized.

2708. The Committee did not see any justification for it and expressed its displeasure and considered it a case of bad planning which must be avoided in future as government money thus gets blocked unnecessarily. The paragraph was dropped.

2709. *Blocking of Government money to the tune of Rs. 79,383 due to non-utilization of equipment (Chapter-III) (Para 9 3. page 122-A-PTR&T)*.—The Committee accepted the departmental explanation and dropped the paragraph.

2710. *Non-adjustment of temporary advance Rs. 253,326 (Chapter-III) (Para 12, page 125-AR-PT&T)*.—The Audit had pointed out that different temporary advances totalling Rs. 253,326 were paid for disbursement, within one month of payment of advances. This was not done. The department explained that it was a malpractice and admitted that some times people took advances for personal use. Any way, action of recovery had been started and major amount had been recovered.

2711. Audit suggested that it was a misconduct under E&D Rules and some disciplinary action should be taken against defaulters. Strict instructions may also be issued. A recovery of Rs. 76,707 could only be verified, an amount of Rs. 176, 619 was still required to be recovered.

2712. *The Committee, observed that advances were, at time, not got adjusted by the officials concerned for too long and desired that it may be examined by the Ministry of Finance whether interest on such advances should be charged or disciplinary action taken for non-adjustment after a prescribed period.*

2713. *Stock and Manufacture suspense Accounts (Chapter-IU) Page 131-AR-PT&T)*.—Audit had pointed out following irregularities in maintenacnce of stock and manufacture suspense accounts during 1981-82 :—

(i) The balance under stock suspense account at the end of 1981-82 was Rs. 342,396,178 which was much far in excess of approved maximum limit. This practice continued since many years.

(ii) There were serious deviations of Actuals as compared to budget under this head of account.

(iii) There were still vast variations in the revised estimates and actuals of receipts and issues.

(iv) An unusual procedure for procurement of stores for development projects has been adopted resulting in :—

(a) non-maintenance of store inventory ;

(b) avoiding explanation of heavy excesses against sanctioned store limit, as the stores were not routed through store suspense accounts

(c) non-accountal of debits raised by State Bank to senior Accounts Officer Telegraph Stores. Karachi.

(d) the cost of store remained un-classified.

(v) Maintenance of large store inventory without proper verification arrangement.

(vi) Heavy quantity becoming obsolete unserviceable, defective and surplus.

(vii) The manufacturing suspense accounts was showing minus balance of Rs. 3,080,922 which was of reverse character.

2714. The Auditor-General pointed out that whole procedure of maintenance of stores and manufacture suspense accounts and its operation required a complete review. The department admitted that this was a something procedural and the problem required a thorough go through, as it was not simple problem.

2715. *The Committee after discussion decided that a high level task force should be set up consisting of representative of T&T department, Auditor-General date remittances and suspense accounts with a view to sorting out,* inter-alia, *procedural problems in this behalf. A report should be submitted to the P.A.C. after this exercise.*

Telephone Industries of Pakistan Limited

2716. *Loss of Rs. 6,892,204 by declaring imported stores as obsolete (Chapter-V) (Para 5.3, page 142-AR-PT&T).*—Audit had pointed out that stores imported against firm orders during 1967 for a particular system existing earlier, the system was then abolished and the stores to the tune of Rs. 6,892,204 were rendered obsolete, and had to be writteen off subsequently. The department explained that this was all due to repaidly changing technology and we will have to face such problems in future. We were not changing as fast as modern technology was changing. This was of general problem in modernisation.

2717. The Chairman observed that in this case a fantastic amount of Rs. 6.9 million was involved, and we cannot afford losses. We must do something to avoid such losses. This could be done by better planning.

2718. The Auditor-General stated that 69 lacs was not a small amount. We should get some use of this store elsewhere. We have incurred more expenditure on its storage arrangement. Watch & Ward etc. The stores should be disposed of with planning.

2719. A member pointed out that services of some consultants/experts from outside the department should be arranged for better advice in the matter. The department promised to look into it.

2720. *The Committee directed that T&T department should arrange for a 2nd opinion of some consultants about the obsolescense etc. A report should be submitted within two months. The paragraph was deferred.*

2721. *Replies under verification.*—Replies of the department to the following paras were under verification by Audit. These would be reported back to the Committee, if necessary.

T & T Department

Para No. of Audit Report.	Page No. of Audit Report
5.5	67
5.6	68
2.12	80
3.1	84
3.3	85
3.9	88
3.10	89
3.11	89
3.12	89
3.16	93
3.17	93
3.19	94
3.20	94
4.4	98
4.5	98
5.4	103
5.5	103
5.6	104
5.9	106
5.11	107
5.13	107
5.17	109
6.3	111
11.1	124
11.2	125
16	128
18	129
N.R.T.C.	
8.2	148

2722. *(Paras 581 to 580, pages 199 to 200-PAC Report 1979-80)*.—The Committee after going through the departmental explanation and Audit Comments did not make any further observation on these paragraphs.

COMPLIANCE REPORT FOR 1979-80 (PT&T)

2723. *(Paras 1113-14, pages 321-322-PAC Report 1979-80)*.—The detailed report stated by the department to have been sent was not received by quarters concerned. *The Committee directed that the required report should be submitted. The Paragraph was deferred.*

2724. *(Para 1116, page 322-PAC Report 1979-80)*.—The department explained that in this case review of punishment was made by the complete authority in compliance to the directives of PAC. The punishment of 'Censure' was upheld. The paragraph was dropped.

2725. *(Para 576—580 and 591, pages 198-199 and 201-PAC Report 1979-80)*. Replies to the above paras were under verification by Audit. These would be reported to the Committee subsequently, if necessary.

2726. *(Paras 573,585 to 590,592 to 590 & 1115, pages 1975 200 to 202 & 322-PAC Report 1979-80)*.—Replies to the above paragraphs were acceptable to Audit. These were, therefore, treated as settleo.

PERFORMANCE AUDIT REPORT (PT&T)

2727. *Laying under ground cable in Shahalmi and Rangmahal, Lahore, Planning the Project*.—The T&T department planned a new telephone exchange at Shahalmi, Lahore by including a provision of 400 lines in a project (expansion of telephone by 50,000 lines). Due to non availability of land for exchange building, the provision was utilized in expansion of a central exchange, and a fresh provision of 5000 lines was made for the proposed exchange in another project. The revised plan also did not materialize due to litigation. Then a junction cable 1200 pairs was laid against another project. No benefit could be derived from junction cable in absence of telephone exchange. Subsequently in July, 1978 it was decided to lay network of 1800 pairs and to link it with junction cable 1200 pairs for installation of shahalmi exchange.

2728. The Audit observed that decision to utilize the junction cable was not well conceived. The cable network instead of 1800 pairs should have been confined to 1200 pairs to avoid blocking of capital against additional 600 lines.

2729. The department explained that circumstances *viz* litigation etc. were beyond control and these could not be foreseen. As for use of 1800 pair cable instead of 1200 pair cable, the work was to be carried out expeditiously and at that time the required cable was not available in store. Had the procurement been waited, there would have been further delay.

2730. *Project Implementation.*—The project was sanctioned in July, 1978 at a cost of Rs. 961,200 as below :—

Cash	226,200
Store	735,000
Total	961,200

The work was to be completed within six months but was completed by January, 1980 at a cost of Rs. 1,554,200 at an excess of Rs. 593,000 which was 61.7%. The reasons of excess, which was admitted by the department were attributed to :—

(i) Cable laid proved unsuitable for use and replacement resulted in excessive expenditure.

(ii) Wastage of jointing material.

(iii) Additional labour employed.

(iv) Delay in completion.

It was, however, stated by the department that after crediting the cost of 'recovered stores' to the project, the excess would work out to 26% only.

Findings

2731. The delay due to improper planning without arranging land, and laying down of juction cable in absence of installation of exchange and further delay of 7 months in laying net work, not only resulted in excess expenditure but also loss of revenue to the extent of Rs. 3.75 million. Non-utilization of 600 pairs cable caused a recurring loss of Rs. 5.284 per annum.

2732. The department admitted the delay due to circumstances beyond their control, but contested that there was no loss due to non-utilization of 600 cable pairs, as the 1800 pairs cable was never used, but was replaced.

Recommendations :

(a) The technical soundness and economic viability of the project should be examined, as installation of new exchange will involve three times more junction cable than that presently available. The cost and benefit factors should be kept in view.

(b) The factors that Multistorey central telegraph house has sufficient space for expansion of existing exchange.

(c) The installation of proposed Sanda Road Exchange will sufficiently reduce the load of central exchange.

(d) Remedial measures are required to be taken to avoid defective store procurements procedure which has resulted in store cost-run in this case.

(e) The expenditure of recovered cable was required to be credited to the work.

2733. The department explained that litigation had been finalized, land acquired and an expenditure of Rs. 2,000,000 had already been incurred on construction. Moreover, it was economical to install exchange at Shahalmi, as compared to linking it with central exchange.

2734. The Auditor-General then explained the purpose of Performance Audit, which was intended to discuss the planning, execution, and results achieved. The P.A.C. had seen the expenditure as compared to estimate, the excess and reasons thereof. Although individual cases do not high-light performance of department as a whole, the Committee had to see that Public money spent on a project, had been effectively utilized and the objectives set were achieved. The picture shown, at the time of preparation of feasibility report and getting government committee should come true and that the relationship of ratio of input and output was correct. Various workings were brought to the notice of P.A.C., so that it could judge the performance. He made the following points.

(i) Most efficient utilisation of available resources was necessary.

(ii) Close monitoring of utilization of resources was essential.

(iii) Effective planning for best utilisation of whatever resources be available was must for less developed country like ours ; the best value for money must be ensured.

2735. *Chairman P.A.C. made the following observations :—*

(i) *A better and more careful planning might have helped in better utilisation of available resources, with more efforts, a better performance could be possible.*

(ii) *The management should improve their efficiency.*

2736. *General Directive.—The Committee desired where ever any verification was to be effected at the instance of the Committee, it should be done within three months.*

2737. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other points/paragraphs of the Audit report 1981-82 and compliance on the PAC's Report for 1979-80. These would be deemed to have been settled, subject to such regularisation action or recovery as may be necessary under the rules.

2738. The Committee then adjourned to meet again at 9.00 a.m. on Tuesday the 25th March, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 8th September, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 25th August, 1986

Ninth Sitting (PAC)

*506. The Public Accounts Committee assembled at 9.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A.	*Chairman.*
(2) Sardar Aseff Ahmed Ali, M.N.A.	*Member.*
(3) Rai Arif Hussain, M.N.A.	*Member.*
(4) Ch. Muhammad Sarwar Khan, M.N.A.	*Member.*
(5) Nawab Muhammad Yamin Khan, M.N.A.	*Member.*
(6) Mr. Miangul Aurangzeb, M.N.A.	*Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor General (Co-ord).

(4) Mr. A. A. Zaidi, Deputy Auditor General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(6) Mr. Ahmed Nawab Qureshi, Director General Commercial Audit.

(7) Mr. S. T. Rehman, Director General of Audit PT&T.

Ministry of Finance :

(1) Mr. S. M. Badrul Hassan, Deputy Secretary (Budget).

(2) Mr. H. A. Niazi, FA (Communications).

(3) Mr. Hussain Ahmed, DFA (Communications).

507. *Accounts examined.*—Accounts pertaining to the Ministry of Communications, were examined by the Committee during the course of the day.

*Paragraphs upto 505 pertain to other Ministries/Divisions.

MINISTRY OF COMMUNICATIONS

508. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Communications. The following departmental representatives were present :—

(1) Mr. R. A. Akhund, Secretary.

(2) Mr. S. H. Raza, Joint Secretary.

(3) Mr. S. Ibrahim Shah, Deputy Secretary.

(4) Mr. Muhammad Asghar, Accounts Officer.

(5) Mr. Muhammad Yunus, Section Officer (F&A).

(6) Mr. M. A. Iqbal, Director (Roads).

(7) Mr. A. Waliullah, Chairman (PQA).

(8) Mr. S. M. Fakhir Hasan, DG (PPO).

(9) Brig. Mansoorul Haq Malik, DG (T&T).

(10) Col. Abrar Hussain, Deputy Director General (SCO).

(11) Mr. Nazar Muhammad, G.M. (TIP).

(12) Mr. M. Aslam Khan, Deputy Manager (CTI).

(13) Mr. Akbar Ali Khan, Internal Auditor (NRTC).

(14) Mr. Ghulam Nabi Rana, D.D. (Audit) N.H.B.

509. The Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1	2	3
	Civil	
1.	Ministry of Communications	19
2.	Department of Shipping Control and Mercantile Marine ..	22
3.	Light Houses and Light Ships	23
4.	Other Expenditure of Ministry of Communications	24
5.	Development Expenditure of Ministry of Communications ..	141
6.	Capital Outlay on Ports and Shipping	172
7.	Capital Outlay on Communication Works	173
8.	Investment in Urban Road Transport Corporation	174

1	2	3
	Posts, Telegraph and Telephones	
9.	Post Office Department	20
10.	Telegraph and Telephone Department	21
11.	Capital Outlay on Post Office Department	170
12.	Capital Outlay on Telegraph and Telephone Department ..	171

510. *Reconciliation of Accounts with Audit.*—Audit pointed out that the reconciliation work in respect of certain organisations at Karachi was not completed for the year 1985-86. The Committee observed that the reconciliation should be brought up to date.

APPROPRIATION ACCOUNTS

511. *Grant No.* 19—*Ministry of Communications* (*Page* 146-*AA*).—There was a net saving of Rs. 136,759 under this grant. The Committee observed that saving could have been surrendered before the due date of surrender.

512. *Grant No.* 22—*Department of Shipping Control and Mercantile Marine* (*Page* 159-*AA*).—The net saving of Rs. 52,722 was within permissible limit. The Committee observed that object-wise explanation under each function of the grant has not been submitted by the Department. In future explanation for any excess|saving under each object should be submitted instead of grant as a whole.

513. *Grant No.* 23—*Light Houses and Light Ships* (*Page* 162-*AA*).—There was a net saving of Rs. 52,976. In this case again object-wise explanations were not given. The Committee directed that in future object-wise explanation should be given.

514. *Grant No.* 24—*Other expenditure of Ministry of Communications* (*Page* 149-*AA*).—Appropriation Accounts showed a net saving of Rs. 14,439,556. This saving was more than 7 per cent of the final grant. On a query from the Chairman, P.A.C. as to why the amount was not surrendered before 31st March, it was explained by the Department that they were expecting certain orders in the last quarter, which did not mature. As for saving of 38 million under subsidies to ship building, it was explained that an amount of Rs. 8 million was utilised and remaining was surrender partly in December, 1982 and partly in June, 1983. The representative of the Finance pointed out that the last date of surrender in this case was 31st March, 1983 and surrenders after

this date were not acceptable. It was also intimated that the question of re-fixing the last date of surrenders is being considered. A meeting of Secretary Finance, Secretary Planning and Audit Department is being arranged in this connection.

515. The Department further explained that this was a national surrender of funds which were not asked to be released for the fourth quarter as the Ships had already been built. The Committee did not make any further observation.

516. *Grant No. 141—Development Expenditure of Ministry of Communications (Page 152-AA)*.—This grant closed with a net saving of Rs. 34,381,776 which was about 6 per cent of the final grant. The Chairman observed that this saving should be taken as very serious in view of the fact that the conditions of important roads were very bad where the money should have been spent by the Department. The Department explained that the Finance Department did not release the money required in the 4th quarter and in absence of such releases the money could not be spent. The representative of the Finance pointed out that releases for 4th quarter were not made because the Department did not submit accounts for the 3rd quarter. The account of expenditure was not rendered by the National Highway Board. They were keeping an account in the U.B.L. and there was a closing balance of Rs. 17 crore in the bank. The Department should have spent first that amount and then come up for further funds. The Department contested that the Ministry of Finance had already closed these amounts and they had already submitted their audited accounts for the 3rd quarter. This was perhaps due to ways and means position that Finance could not release the funds. There appeared to be something wrong in planning the expenditure.

517. The Committee observed that the Department must spend the money allocated to them. The dual control of important roads must end. It should be either with Federal Government or Provincial Governments. The Ministry must ensure that the money placed at the disposal of the Provincial Governments for the maintenance and construction of roads was properly spent. The performance of the Cell set up at Quetta should be reported to the Committee after investigating the matter regarding the maintenance of Quetta Tuftan Road. Secretary must hold an enquiry in the matter, regarding constructions and proper maintenance and inspection of roads in Baluchistan Province, and a report should be submitted to P.A.C. within one month.

518. *Grant No. 172—Capital Outlay on Ports and Shipping (Page 164-AA)*.—According to the Audit there was a net saving of Rs. 144,189,483 which was 20 per cent of the final grant. The Department in this case contested the figures of final grant and reported that a surrender order of Rs. 100,610,000

made by the Department on 30th June had not been accounted for. The Audit observed that surrender made on the last day of the financial year was not acceptable, according to the existing instructions.

519. While discussing the savings under "Gawadar Fish Harbour", the Chairman PAC desired to know the total expenditure on this project and the position of actual work done there. The Department explained that the work was started by the Baluchistan Government in 1971-72. It was handed over to the Central Government in 1976. In 1981 Japanese consultants prepared a PC-I for 30 million which was to be funded through Japanese Grant but subsequently this Grant was withdrawn. In 1982 consultants were appointed for preparation of design and cost estimates etc., which were ready for approval. An expenditure of Rs. 1½ crore had, so far, been incurred on this project by the Central Government and Baluchistan Government, out of which an amount of Rs. 80 Lacs was paid to the consultants and the balance was spent on construction of one Pacca Road and one Building upto Roof level.

520. The Committee after going through the explanation of the Department directed that the names of consultants and others who were paid Rs. 15 million for the construction of 'Gawadar Fish Harbour Project' be reported to the PAC within one month.

521. *Grant No.* 173—*Capital Outlay on Communication Works* (*Page* 158-*AA*).—There was an excess of Rs. 88,104,025 under this Grant. The Committee accepted the departmental explanation and recommended the excess for regularization.

522. *Grant No.* 174—*Investment in Urban Road Transport Corporation* (*Page* 167-*AA*).—There was net saving of Rs. 32,116,199 under this Grant. The Committee did not make any observation.

COMMERCIAL ACCOUNTS

523. *Non-Compilation of Accounts* (*Para* 3, *page* 10-*ARCA*).—Audit in this case pointed out that accounts of Light Houses and Light Ships Department had not been compiled by the Department since 1967-68. The Department intimated that the accounts could not be prepared for want of a decision as to who was to prepare the accounts. The Dispute had been settled and Department had prepared these accounts. A major portion had been completed which was being submitted to AGPR for examination and verification.

524. The Committee directed that the accounts from 1967-68 must be brought up to date. In case of any difficulty, the problem may be sorted out with Audit.

525. *Irregular Payment of Bonus to Officers in Public Sector Organisation (Para* 51, *pages* 48-49-*ARCA*).—Audit pointed out that Bonus was being paid to the Officers of Karachi Ship Yard and Engineering Works Limited, whereas no such Bonus to the Public Sector Organisation was admissible under Finance Division letter No. F. 3 (5) R. 12|80-436, dated 29th December, 1980. The Department explained that it was not a Bonus, but "Launching Award", which was paid on special occasions. The "Launching Award" was paid with the approval of Board of Directors. The Committee observed that they must get proper approval of the competent authority before allowing such amounts to the officers. The expenditure incurred in contravention of the provision of Finance Division's Orders must be regularised.

526. *Port Qasim Authority (Para* 3, *page* 10-*ARCA*).—It was pointed out by Audit that preparation of accounts and getting them audited by the Chartered Accountant was delayed. The Department explained that accounts up to 1982-83 had since been audited and accounts for 1983-84 had been submitted for Audit and promised that accounts for 1984-85 will be submitted by October, 1986 and account for 1985-86 by January, 1987. The Committee directed that the accounts must be completed by the promised dates and Audit should watch progress.

527. *Karachi Ship Yard and Engineering Works Limited (Para* 96, *page* 82-*ARCA*).—Audit pointed out in this case that Twin Screw Sea Going Tug was built at a cost of Rs. 32.788 million by Karachi Ship Yard and Engineering Works for its own use but was sold to KPT at a loss of Rs. 7.99 million. On a further query by the Chairman PAC, Audit explained that KPT ordered two Tugs. The material was arranged and the KPT backed out to obtain one Tug. It was subsequently decided by the Karachi Ship Yard and Engineering Works to use this Tug for itself, but subsequently it was again sold to KPT at reduced rates thus a loss was sustained. The Committee observed that it was a case of bad planning, the Department should be carefully in future. The paragraph was dropped.

APPROPRIATION ACCOUNTS (PAK. P.O.)

528. *Grant No.* 20—*Post Office Department (Page* 27-*AA-PPO*).—This grant closed with a saving of Rs. 32,983,749 under "Other than Charged" section, which was about 6 per cent of the final grant. The Department explained that saving was due to economy cut applied. The Committee did not make any observation on this grant.

529. *Grant No.* 170—*Capital Outlay on Post Office Department (Page* 30-*AA-PPO*).—The Appropriation Accounts showed a nominal saving of Rs. 150,650 on which, the Committee did not make any observation.

AUDIT REPORT (PT&T)

530. *Irregular Expenditure of Rs.* 205,977 (*Para* 3.2, *pages* 20-21-*AR-PT&T*).—According to the Audit Report, the electric charges were not being recovered from the residents of Postal Colony, Peshawar in proportion to total amount of electricity bills being paid by the Department. The recovery was being made at flat rate. The percentage of recovery as compared to amount paid between the period 7|77 to 12|78 and 2|81 to 10|82 worked out to 11.91 per cent, and the Department loss Rs. 205,977 on this account. After going through the explanation of the Department to the Audit Observation, the Committee directed that sub-meters should be installed in the Residential Quarters instead of charging flat rate. Subject to this observation the paragraph was dropped.

531. Replies of the department to the following paras were under verification by Audit. These would be reported back to the committee, if necessary.

Post Office Department

Para No. of Audit Report	Page No. of Audit Report
1-(a)	15
1 (b, c & d)	16
2.3	17
2.4	18
2.5	20
3.1	20
4.1	21
4.2	22
5.1	22
6	23
8	25
3	28
4	28

APPROPRIATION ACCOUNTS (T&T)

532. *Grant No. 21—T&T Department (Page 27-AA-T&T).*—There was a saving of Rs. 11,529,679 under "Charged" section and saving of Rs. 6,700,384 under "Other than charged" section. The Committee did not make any observation on this saving.

533. *Grant No. 171—Capital Outlay on T&T Department (Page 30-AA-T&T).*—The Grant closed with a saving of Rs. 190,534,971 which worked out to 13 per cent of the final grant. The Department explained that the figures shown in the Appropriation Accounts were not correct. Audit observed that they have themselves prepared these accounts and should explain as to why incorrect accounts were prepared. The Committee directed that the Department should come out with the correct position and get the position verified from Audit. The consideration of this paragraph was deferred.

AUDIT REPORT (PT&T)

534. *Loss due to opening of new connections in favour of disconnected telephone subscribed—Rs. 143,621 (Para 8.9, pages 63-64-AR-PT&T).*—Audit pointed out that three telephones were disconnected in September, 1982 in Multan, due to non-payment of bills amounting to Rs. 143,621 but later on the Divisional Engineer installed five new connections in the same names and premises without realising outstanding dues and restoration fee from the defaulters. This action was in violation of all rules and resulted in loss to the Department. The Department in reply stated that a sum of Rs. 95,427 had since been recovered in respect of one telephone, as for other two connections the case is in the court of law.

535. The Chairman, PAC observed that such things were generally done with the connivance of the T&T people. The Committee directed that those responsible for this irregularity may be intimated to the PAC, and disciplinary action taken against them may also be reported to the PAC.

536. *Loss of Revenue due to delay in providing new connections Rs. 13.198 million [Para 2 (a) (1) (2) (3) and (5), pages 70—72-AR-PT&T].*—According to Audit Report the Department installed exchanges for additional capacity but subscribers were not provided connections according to the capacity available at GULSHAN-E-IQBAL, KARACHI, KARACHI CANTT. SITE SUKKUR AND KORANGI KARACHI. The Department thus sustained a loss of revenue due to slow pace at which new connections were installed. This adversely reflected on the performance of the Department.

537. The Department explained that it took some time to sanction and install a telephone connection after observing necessary formalities. Opening and sanction of new telephone connection was purely a policy matter and not solely determined by commercial considerations. May be that the Department was not smart enough to plan things quickly and correctly, but the loss pointed out was a hypothetical one. The Chairman observed that something should be done to streamline the process of sanctioning new telephone connections ; the delays generally result in malpractices.

538. The Committee after a detailed discussion directed that the Secretary should hold a meeting on the subject and submit a report to the PAC suggesting ways and means to avoid delay in sanctioning of the telephone connections. The names of persons to whom the telephone connections were allowed on priority basis on the orders of the Communication Minister in 1981-82, 1982-83. 1983-84, 1984-85 and 1985-86 may also be supplied to PAC.

539. *Wasteful Expenditure of Rs.* 1.174 *million* [*Para* 2 (*d*) (2), *page* 77-78-*AR-PT&T*].—Audit pointed out that 10 estimates for opening Public Cell Offices in Sind were sanctioned from 1974—1977. An expenditure of Rs. 1.174 million was incurred on these estimates which were subsequently cancelled by the Director General. The expenditure thus proved to be wasteful. The Department explained that these estimates were sanctioned by the competent authority and were regular. It was a public requirement, the works were subsequently stopped by Martial-Law authority and the stores worth Rs. 477,402 had since been transferred to other works and the remaining stores were in the process of being transferred.

540. Audit confirmed that transfer of stores worth Rs. 550,782 had been verified by Audit, whereas stores amounting to Rs. 587,089 still remain to be transferred|adjusted by the Department. Cash expenditure of Rs. 36,328 was also required to be regularised. The responsibility of incurring cash and stores expenditure without allotment of funds was also required to be fixed.

541. The Committee directed that the stores should be utilised and consumption got verified by Audit. The whole exercise should be completed within four months and report submitted to Audit.

542. *Infructuous expenditure of Rs.* 478,558 [*Para* 2 (*d*) (3), *page* 78-*AR-PT&T*].—According to the Audit Report, a work providing and installation of Airconditioning Plant at Telecommunication Building, Hyderabad was allotted to a contractor in June, 1964 at an estimated cost of Rs. 625,000. A total expenditure of Rs. 478,558 was incurred against the work, upto May, 1981. It was, however, reported during inspection that installation was defective and the condition of the plant was hopeless. The contractor was stated to be being tried in a court of law.

543. The Department in reply explained that some corrective measures were agreed to with the contractor by the T&T Department in the court of the then Sub-Martial Law Administrator, Hyderabad, but the contractor did not turn up to remove the defects. The Department was, however, of the view that nothing will come out by going to the court of law as the contractor had already received 90 per cent of the payment and he had no interest in the balance amount. The Committee directed that the matter may be regularised. The paragraph was dropped.

544. *Infructuous expenditure of Rs.* 60,600 [*Para* 2 (*d*) (6), *page* 79-*AR-PT&T*].—Audit pointed out that two Telephone Exchanges were installed at Gandu Khel and Datta Khel during 1979-80 at a total cost of Rs. 60,600, but no body applied for a telephone connection and the entire expenditure proved to be infructuous. The Department explained that these exchanges were not installed on commercial consideration but some times these are installed on political considerations. Defence requirements were also kept in view while installing Data Khel Exchange. The Committee after considering the reply of the Department, settled the paragraph.

545. *Loss due to Non-acceptance of Lowest Tender Rs.* 296,000 [*Para* 2 (*e*) (1), *page* 80-*AR-PT&T*].—Audit pointed out that in June, 1982 General Manager K.T.R. Karachi invited tenders for purchase of Teak Wood. The lowest tender of Rs. 2.043 million was rejected, as the sample was not supplied by the bidder. The second bid which was higher by Rs. 296,000 was accepted although there was nothing on record to show that any of the bidders had supplied samples. The Department explained that the tenders for the supply of Teak Wood were invited through press. The first lowest tender did not submit the sample, hence his tender was rejected due to non-fulfilment of the condition of tender and the 2nd lowest tender was accepted. Audit, however, reported that the records in support of departmental contention were not produced, and no reasons were recorded for rejecting the first lowest tender.

546. The Committee after a detailed discussion directed that the Department should hold an inquiry in this case and find out if the Teak Wood was purchased at all. The report should be submitted to the PAC within one month.

547. *Local purchase at higher rates of stores stocked by the Store Organisation Rs.* 144,547 [*Para* 2 (*e*) (4), *page* 81-*AR-PT&T*].—According to the Audit Report, certain Divisional Engineers purchased certain items of stores locally at rates higher than those at which these were available in the stores. This resulted in a loss of Rs. 144,547. The Department explained that the items mentioned in the para were not store items and these were purchased after inviting the tenders. There was nothing irregular. As for the rates of Plastic Clamps which was a store

item, there was a minor difference in the rates. The officers who purchased it, without obtaining a non-availability certificate from the store organisation have either been retired or dismissed from service as such no action was possible at that stage.

548. The Committee directed that the Department should investigate the purchase of stores locally at higher rates and report should be submitted to the Committee within one month.

549. *Loss of Rs.* 1,868,262 *due to irregular extension of contract period* [*Para* 3.1, *page* 84-*AR-PT&T*].—As per Audit Report Controller of Telegraph Stores, Karachi awarded a contract to a firm for clearance and carriage of telegraph stores from March, 1979 to February, 1980. The contract was extendable upto one year, but the firm was granted extensions on one pretext or the other, upto June, 1982. On intervention of Director General the tenders were called which resulted in marked reduction in rates. The Government was, therefore, put to a loss of Rs. 1.8 million on this account. The Department explained that according to the contract it was extendable for a period of one year. It was extended beyond one year due to the fact that custom authorities had to check and examine the material by unpacking all foreign consignments. The contractor had to take the consignments from sea port, for custom examination, and get than unpacked and repack after such examination and then to carry to the destination. This process resulted in extra time. Audit, however, reported that the prevailing market rates were not ascertained while allowing extension in time and when the 3rd extension was rejected by the Director General T&T, the prevailing market rate were found to be lower.

550. The Department promised to take action against those responsible for allowing extension in this case and intimated that disciplinary case would go to the Prime Minister and will take some time. The Committee directed that disciplinary action may be taken against the defaulting officers. The action taken on the recommendations of the inquiry officer be reported to the PAC in the next meeting.

551. *Over-payment to contractors Rs.* 230,985 (*Para* 3.2, *page* 85-*AR-PT&T*).—According to the Audit Report, a Divisional Engineer paid Rs. 230,985 to certain contractors in excess by allowing higher rates of premium meant for the original works, instead of lower rates agreed in 1981-82 for maintenance works which resulted in over-payment of Rs. 230,985. The Department explained that the delay in processing this case was due to magnitude of the case involving very heavy amount. The Committee directed that disciplinary action should be initiated against the officers who made excess payment and report rendered to the Committee within one month.

552. *Un-authorised expenditure of Rs.* 220,800 (*Para* 4.7, *page* 93-*AR-PT&T*).—In this case two temporary posts of Assistant Engineers were extended by Divisional Engineer for seven years *i.e.*, from 1976 to 1983 without authority, resulting in an unauthorised expenditure of Rs. 220,800. The Department explained that the expenditure had since been regularised. The paragraph was dropped.

553. *Dubious expenditure on Muster Rolls—Rs.* 159,618 (*Para* 5.5, *page* 97-*AR-PT&T*).—According to Audit Report a Divisional Engineer employed a large number of labour for day to day tracing and rectification of faults of underground cables. The work orders were issued every month as a regular feature during 1979-80 and 1980-81. The Diaries of the work done, prepared by the Mustering officer, were not legible. The Department explained that they received details of such cases from Audit, and they were probing into all such cases. The result of investigation will be reported to the PAC. Audit observed that such cases had become a regular feature and were also appearing in the Accounts for 1983-84.

554. The Committee directed that all such cases may be enquired into by the Department and a report submitted to the Committee alongwith accounts for 1983-84.

555. *Irregular purchase of Vehicles Rs.* 50,400 (*Para* 7.6, *page* 104-*AR-PT*).—It was pointed out by Audit that a Suzuki Car Vehicle was purchased in December, 1980 without authorisation by the Divisional Engineer.

556. The Committee, after going through the explanation of the Department, dropped the paragraph.

557. *Excess expenditure of Rs.* 32,700 (*Para* 7.8, *page* 105-*AR-PT&T*).—According to Audit Report two estimates for replacing two Jeeps were sanctioned at a total cost of Rs. 186,500 by the Director General. The Divisional Engineer purchased locally two Datson Cars 120Y Sedan standard costing Rs. 219,200 from a private firm without calling for competitive rates. This deviation caused an excess expenditure of Rs. 32,700. The Department intimated that the Jeeps were available in the market and as such Datson Cars were purchased instead. A credit from auction of old unserviceable vehicles amounting to Rs. 41,428 was afforded, as such there was no excess against estimate. It was, however reported that disciplinary action was being taken against those responsible for deviation from the original estimate. The Committee directed that disciplinary action as promised may be taken against the defaulting officer and report furnished to the PAC within one month.

558. *Blocking of Capital worth Rs.* 93,000 (*Para* 12.1, *page* 113-*AR-PT&T*).—Audit pointed out that in 1979 a Mazda Truck Chassis was purchased for Rs. 93,000 without allotment of funds. The chassis was transferred to another division for use after two years. The Committee after listening to the explanation of the Department, dropped the paragraph.

559. *Blocking of Government Money—Rs.* 25,232,144 (*Para* 12.2, *page* 113-*AR-PT&T*).—It was pointed out by Audit that an expenditure of Rs. 25,232,144 was incurred upto November, 1981 by Divisional Engineer Development-II Karachi, on installation of 8,000 lines EMD Exchange in replacement of old F-1 type exchange installed over 25 years ago. The equipment was sanctioned in April, 1981 but installation did not commence till November, 1982. It was intimated by the Department that the equipment could not be installed as Pak. PWD could not make the building structure ready. The equipment worth Rs. 17,045,822 had already been utilised on various other projects. It was admitted that it was a case of bad planning. Audit, at this point, reported that whereabouts of the equipment valuing Rs. 8 million were still not known.

560. The Chairman PAC observed that he was not satisfied with the explanation of the Department. The Committee there upon ordered that a joint inquiry comprising the representative of the Department and Audit may be held and a report submitted to the Committee within one month.

COMPLIANCE REPORT

561. *Para* 4.2—*AR-PT&T* 1981-82 (*PAC Minutes, dated 24th March,* 1986).—Audit in this case pointed out that the Department executed the maintenance works through un-approved contractors during 1980-81 at rates higher than admissible to the approved contractors.

562. The PAC in its meeting, dated 24th March, 1986 had directed that Department should hold an inquiry with association of Audit within one month and report to Audit about action taken.

563. An inquiry was held by the Department and findings of the inquiry were that approved contractors were not interested in maintaince works. They charge very high rates and were not prepared to take precautionary measures required in such works, and the works were executed after observing departmental formalities. As such, no less or irregularity was committed.

564. Audit observed that they were not associated with the inquiry. The Committee against directed that a joint enquiry may be held and the inquiry report should be submitted to the PAC within one month.

565. *Para* 5.2—*Audit Report* 1981-82 (*PAC Minutes, dated* 24*th March,* 1986).—The paragraph was dropped subject to verification by Audit.

566. *Para* 6.1—*Audit Report* 1981-82 (*PAC Minutes, dated* 24*th March,* 1986).—According to Audit observation, 66 sets VHF single channel procured under Bank loan in 1974 did not prove successful and were dumped. Hence the total expenditure was a waste.

567. The PAC in its earlier directive, dated 24th March, 1986 desired that either the explanation of those who asked for Hungarian Barter should be obtained or it should be established that equipment was thrust upon the Department under pressure.

568. It was reported by the Department that this was an error of judgment, they went for cheapness instead of going for quality. Total foreign exchange expenditure involved in this case was 1.6 million. Some of the items gave service for 3 to 5 years and then proved to be a Junk. Some of it was being re-used and the others replaced with better equipment. It was, however, assured that now performance of all equipment was being tested in foreign countries. Physical tests were also carried out for all such procurements. The Committee conveyed its displeasure over this matter, and directed that such things should not happen again.

569. *Para* 9.1—*Audit Report* 1981-82 (*PAC Minutes, dated* 24*th March,* 1986).—Audit had pointed out that plant and machinery for establishment of duct factory was imported from Sweden in 1977 at a cost of Rs. 20 million without any provision in the scheme. The plant was not in use.

570. The Committee in its earlier directive, dated 24th March, 1986 desired that an inquiry should be held and full explanation furnished as to why duct factory was imported when there was no such approved project. Who was responsible for it and what action was taken against him?

571. It was brought out in the finding of the inquiry that there was no specific provision for import of duct manufacturing unit in PC-I. The provision was, however, made in the revised PC-I which had since been approved by the competent authority. It was also informed to the Committee that in PC-I, the amount was shown in Rupee component. It was purchased from Sweden.

572. The Committee was not satisfied with the action taken and directed that such things should not happen again and also conveyed its displeasure.

573. *Para* 6.2—*Audit Report* 1981-82.—The Committee dropped the para subject to verification by Audit.

574. Replies of the Department to the following paras were under verification by Audit. These would be reported back to the committee, if necessary

Telegraph and Telephone Department

Para No. of Audit Report	Page No. of Audit Report
1	2
1, 1 (a), (b), (d)	45, 46, 47
8.11	64
9.2	66
9.3	66
9.4	67
9.5	67
9.6	67
1 & 1(e)	69/70
2—a—4	72
2—a—6	72
2—a—7	73
2—a—8	73
2—a—9	73
2—b—1	74
2—b—2	75
2—b—3	75
2—b—4	75
2—c—(i), (ii) & (iii)	76/77
2—d—1	77
2—d—5	79
2—e—3	81
2—f—1	82
2—f—2	82
2—f—3	83
2—f—4	83
2—f—5	83

1	2
3.3	85
3.4	86
3.5	86
3.6	86
3.7	87
4.1 (a)	87
4.1 (b)	88
4.1 (c)	88
4.1 (d)	89
4.1 (e)	89
4.1 (f)	89
4.1 (g)	90
4.1 (h)	90
4.2	91
4.4	92
4.6	92
5.3	96
5.4	97
5.6	97
5.8	98
6.1	99
6.2	100
6.3	100
6.4	101
6.5	102
7.1	102
7.2	103
7.3	103
7.4	103
7.5	104
7.7	105

1	2
7.9	105
7.10	106
7.11	106
8 (i), (ii) & (iii)	107
9 (i), (iii) (iv) & (v)	108
10.2	110
10.3	110
10.4	110
10.5	111
10.6	111
11	112
13	114
A (i & 2)	115
3	116
5.2 (TIP)	123
5.3 (TIP)	124
5.4 (TIP)	214
5.5 (TIP)	125
6 (6.1)	131
6 (6.2)	132
6 (6.3)	133
6 (6.4)	133

575. *Paras not discussed to be treated as settled.*—The Committee did not make any observation on other points/paras in the Appropriation/Commercial Accounts and Audit Reports thereon. These would be deemed as settled subject to any regularisation action and verification by Audit as necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 19*th January,* 1987.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 30th March 1987

Tenth Sitting (PAC)

*608. The Public Accounts Committee assembled at 9.30 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Malik Said Khan Mahsud, Minister of State for Water & Power .. .. *Member.*

(3) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(4) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. Muhammad Aslam, Deputy Secretary.

(2) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A. A. Zaidi, Deputy Auditor General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General, Pakistan Revenues.

(6) Mr. Iftikhar Ali Khan Raja, Director General (A.A. Works).

(7) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

(8) Mr. Munir Ahmed, Director General Audit, (PT&T).

Ministry of Finance :

(1) Mr. H. A. Niazi, FA (Communications).

(2) Mr. Riaz Ahmed, DFA (Communications).

(3) Mr. Hussain Ahmed, DFA (Communications).

Planning and Development Division :

Dr. M. A. Aghai, Director General (Project Wing).

609. *Accounts Examined.*—Accounts pertaining to the Ministry of Communications were examined by the Committee during the course of the day.

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*Paragraphs upto 607 pertain to other Ministries/Divisions.

MINISTRY OF COMMUNICATIONS

610. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Communications. The following departmental representatives were present :—

(1) Mr. K. U. Faruqi, Secretary.

(2) Syed Ibrahim Shah, Deputy Secretary.

(3) Mr. Muhammad Yunus, Section Officer (F&A).

(4) Mr. Muhammad Asghar, Accounts Officer.

(5) Mr. Sajjad Akbar, Director General (P&S).

(6) Rear Admiral A. Waliullah, Chairman (PQA).

(7) Vice-Admiral Y. H. Malik, Chairman (PNSC).

(8) Rear Admiral M. I. H. Qazilbash, Chief Executive (NTC).

(9) Rear Admiral M. N. Baig, Managing Director (KS&EW).

(10) Mr. S. A. Siddiqi, Director General (T&T).

(11) Mr. Aftab Alam, Chairman (KPT).

(12) Mr. M. Idrees Malik, Additional Director General (PPO).

(13) Brig. Hamid Butt, Director General (SCO).

611. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1	2	3
	1983-84	
1.	Ministry of Communications	19
2.	Department of Shipping Control and Mercantile Marine ..	22
3.	Lighthouses and Light-Ships	23
4.	Other Expenditure of Ministry of Communications	24
5.	Development Expenditure of Ministry of Communications ..	139
6.	Capital Outlay on Ports and Shipping	170
7.	Capital Outlay on Communication Works	171

1	2	3
	1984-85	
1.	Ministry of Communications	19
2.	Department of Shipping Control and Mercantile Marine ..	22
3.	Lighthouses and Light-Ships	23
4.	Other Expenditure of Ministry of Communications	24
5.	Development Expenditure of Ministry of Communications ..	142
6.	Capital Outlay on Ports ahd Shipping	175
7.	Capital Outlay on Communication Works	176

APPROPRIATION ACCOUNTS (1983-84)

612. *Grant No.* 19—*Ministry of Communications* (*Page* 182-*AA*).—This grant closed with an excess of Rs. 219,678. The Department reported to the Committee that main reason for this excess was revision of Pay Scales. The Committee accepted the explanation and recommended the excess for regularisation through Excess Budget Statement.

613. *Grant No.* 22—*Department of Shipping Control and Mercantile Marine* (*Page* 186-*AA*).—According to Appropriation Accounts, this grant closed with an excess of Rs. 352,589. The excess in this case was attributed to payment of advance salary on Eid and also due to revision of Pay Scales. The excess was recommended for regularisation by the Committee.

614. *Grant No.* 23—*Light Houses and Light Ships* (*Page* 190-*AA*).—The grant closed with a saving of Rs. 8,525. The Committee did not make any observations, the saving being nominal.

615. *Grant No.* 24—*Other Expenditure of Ministry of Communications* (*Page* 192-*AA*).—As per Appropriation Accounts, there was a saving of Rs. 32,979,033 under this grant which was 24 per cent of the Final Grant. Audit intimated that saving was made up of an amount of Rs. 41,308,000 surrendered in time and of an excess of Rs. 9,326,099 under transfer payment. The excess was also required to be explained as excess expenditure cannot be incurred without funds. The Department explained that funds required were demanded but even 50 per cent of the demand was not allowed. A study was carried out by International Consultants. Funds were being allowed much below the minimum required limit. National Highway Board also worked out a Formula, but could

not be implemented as the Finance did not approve it. The Department was maintaining 6,000 K.M. long roads. Kara-Kuram Road allocation was being made by Planning Division at flat rate. Although special consideration was given, yet it was still insufficient. The Road was being maintained by F.W.O. as Civil Force could not maintain it. The road being in hard area, the manpower employed could not be curtailed. It was the Frontier Works Organisation, to whom the funds were transferred and excess expenditure was incurred by them. The Finance at this point remarked that allocation of funds during the last 3 years was increased by 300 per cent. The distribution of funds between F.W.O. and others was made by Secretary and not Finance. It was for Secretary to decide how much more funds should go to F.W.O. The Finance had increased the allocation from 7 crore to 15 crore.

616. The Committee directed that the Department, Finance, Planning and Audit may sit together and evolve a formula for allocation of Funds and their distribution. This should be done before the next budget and a report submitted to PAC. The Committee further directed that the Planning Division should examine the system of allocation of budgetory resources with a view to remove existing problems of the administrative division and no excess expenditure should be acceptable to the PAC in 1985-86.

617. *Grant No. 139—Development Expenditure of Ministry of Communications (Page 196-AA)*.—There was huge saving of Rs. 96,611,100. The Department reported to the Committee that Finance did not release the funds for the 4th quarter on the grounds that Accounts for the previous quarter were not submitted. The Department had to obtain Accounts from P.W.D. etc. In absence of such release of funds there was no alternative but to surrender these funds which was surrendered during June, 1984. The receipt of Account and sanction of release were delayed, resulting in saving.

618. The Committee directed that whenever a case is submitted by one Ministry|Division to another Ministry|Division for action, it must be cleared within 15 days except where there were special reasons.

619. *Grant No. 170—Capital Outlay on Ports and Shipping (Page 206-AA)*.—This grant closed with a saving of Rs. 23,953,748. The Department reported to the Committee that major portion of saving was under 'Bunder Qasim Project' and Gawadar Fish Harbour, which was due to the fact that Foreign Exchange allocation could not be utilized due to inadequate Rupee component provision. The Committee did not make any observation.

620. *Grant No. 171—Capital Outlay on Communication Works (Page 208-AA)*.—As pointed out by Audit in the Appropriation Accounts, the actual expenditure against this grant of Rs. 44,949,000 was Rs. 125,054,438. Thus there

was an excess of Rs. 80,105,438, which was 178 per cent of the Final Grant. The Department informed the Committee that a supplementary grant of Rs. 80,000,000 sanctioned by the Finance had not been taken into Account by Audit. Audit reported that it was not printed in the Book of Supplementary Grants, which was an omission Finance had already promised that in future schedule of Supplementary grants will be simultaneously supplied to Budget Wing and Audit. The Committee recommended the excess for regularisation.

AUDIT REPORT (1983-84)

621. *Loss of Rs.* 4,691,535 *due to late acceptance of tenders with extra premium* (*Para* 1, *page* 47-*AR*).—According to Audit Report Tenders of a work (Third Highway Project) were called in July, 1979, but after 9 months, the work was awarded to the same contractor, after negotiations at an extra premium of 13 per cent of the tendered cost, resulting in an additional expenditure of Rs. 4.7 Million. Ministry of Communications, in their reply, explained that tenders for seven different sections of the work were invited in July, 1979. The World Bank Mission in their aid memoire of 15th July, 1979 made a preliminary evaluation of the bids and suggested that it was possible to take up construction of routes 1, 2, 3, and 7. They also thought " rebidding is not likely to result in any reduction in prices and may lead to an increase. There is, however, scope for negotiation with bidders ". The Mission also indicated that " IDA may not agree to any negotiations in case of NWFP roads (contract 1, 2) and contract 7, as a reasonable number of bids were received and the bid prices are more in line with the estimates ". The case was then examined by Economic Coordination Committee of the Cabinet on 25th October, 1979, which decided that the Works 1, and 2 should be carried out on the basis of existing tenders. Negotiations should be held for Works 3 and 7 and fresh tenders should be invited for works 4 and 6. The Ministry had, therefore, contended that since the project was being financed by IDA Credit, many formalities had to be completed, which delayed the execution of works in NWFP. These formalities included Bifurcation of the Project, Preparation of separate PC-I's, Approval of the Project by ECNEC, and Approval of IDA loan. PAC was not satisfied with the departmental explanation and directed that a complete report on the project should be submitted. The report should include following aspects :—

(a) The objects of the project and how for and at what cost they have been achieved ;

(b) What were the deficiencies in execution of the project ? What were the causes for deficiencies and what remedical measures were taken by the National Highway Board at each stage *i.e.* the formulation of plan, detail designing and specification, prequalification of contractors, award of contracts, execution of works, quality standards prescribed and attained and time and cost overruns?

(c) Who were the officials responsible for the lapses and what action has been taken against them?

622. The Committee also directed tht Ministry of Communication to submit a detailed report on Quetta—Taftan National Highway which should contain the details as enumerated above in case of 3rd IBRD Highway project.

AUDIT REPORT (1984-85)

623. *Performance Audit Report on Third IBRD Highway Project in Pakistan Lahore-Pattoki and Pattoki-Lahore* (*Group II*) (*Pages* 205—225-*AR*).—Audit in their report after brief background pointed out weaknesses in Planning, Designing and Execution of the Project. Audit in their brief, highlighted that Improper Planning resulted in delay in start|completion of project due to which extra cost had to be incurred on account of escalation and change in design amounting to Rs. 20.000 million and Rs. 53.843 million respectively. Initial delay in execution of agreement with the contractors within the stipulated period had resulted in payment of initial escalation amounting to Rs. 9.000 million to the contractors. Funds were not released according to the annual allocation during the entire period of execution of the project except the starting year *i.e.* 1979-80. Overall Rs. 406.954 million were released upto the year 1983-84 against total allocations of Rs. 674.482 million which adversely affected the physical progress of the project. Direct|indirect benefits expected to be achieved by public from the year 1983-84 had been delayed for about two years and these benefits are now expected from the year 1985-86. Annual loss in the shape of benefits forgone, amounts to Rs. 60.000 million. Due to abnormal delay in completion of the project, the alternative routes adopted by the diverted traffic were badly damaged as the traffic on those routes was far more than the capacity of those single roads. Heavy expenditure will now be required to be incurred for extra ordinary repair|maintenance of those roads. Defective construction of road as well as brick payment of the side shoulders of the road was observed due to which certain parts of the road had become bumpy and cracks are also visible. Due to improper maintenance of traffic route during construction, traffic on the route was discouraged and the anticipated benefit from the completed portion of the road could not be achieved.

624. It was suggested by Audit that proper Planning and feasibility study may be carried out before starting a new project in order to avoid extra cost on account of escalation and design change at a later stage. Synchronise various activities of the Project and release of Funds. Funds may be released according to the annual allocation and construction activities may be planned in the light of allocations. Shortfall in release of funds adversely affect the physical progress

of the project. Experienced and capable contractors may be engaged for such big projects and projects may be divided into segments of reasonable sizes with various contractors. Care should be taken while negotiating terms and conditions with the contractors to safeguard the Government interest as delay in the approval of the tender costed Government an amount of Rs. 9.00 million in spite of the fact that no mobilization was done by the contractor. Similarly, more than one contractors may be engaged to avoid the inefficiency of contractors in handling big projects like this. The execution of the such big projects may be done by synchronising various activities on the basis of time schedules for each individual activity. The control of delay in execution may be given priority as it increases cost in addition to the delay in benefits. In other words, time value of money may be given priority. The Department informed the Committee that there was no difference of opinion on the recommendation made by Audit. Seven contracts were put to tender. The costs tendered were considered on higher side. The matter was considered by Pakistan Government and World Bank and it was decided to re-tender. The bid which was considered to be higher was Rs. 533 million. The cost of work exceeded Rs. 600 million. The main idea was to promote local contractors. It was first experiment.

625. The Committee after some discussion directed that the Department should produce all the papers relating to this road on a date to be fixed by PAC. The Committee would also like that history of Quetta Tuftan Road may be given to PAC.

COMMERCIAL AUDIT REPORT (1984-85)

Karachi Shipyard and Engineering Works Limited

626. *Working results of the Company (Para 120, page 118-ARCA).*—Audit in their report pointed out that there was a gross loss of Rs. 4.005 Million in "Ship Building" during 1984-85 against gross profit of Rs. 5.688 Million during 1983-84. The gross profit in 'General Engineering' decreased also to Rs. 7.529 million in 1984-85 as against Rs. 14.267 million during 1983-84. The company earned gross profit of Rs. 25.158 million during 1984-85, against Rs. 38.372 million during 1983-84.

627. Audit further informed the Committee that sales from 'Ship Building' activities were Rs. 42.26 million in 1983-84. These increased to Rs. 50.97 million in 1984-85 and decreased to Rs. 36.4 million in 1985-86. The Department explained that there was slump in Ship Building activities throughout the world. The orders have started increasing. The management had been accepting orders either with no profit or at marginal profit, so as to absorb overhead fixed charges.

628. The Chairman PAC observed that while considering proposals for shipment of foreign purchases, this company should be given due consideration. If the Government did not place orders, how this institute could perform better? The Department intimated that the terms of this Corporation did not suit the buyers and thus no alternative had left except to purchase it from elsewhere.

629. The Committee observed that the Planning Division should study the whole problem, keeping in view long term requirements. The representative of Finance informed the Committee that two reports, one from NDFC and the other from O&M on the subject had been sent to Planning Division for Comments. The Committee directed that this should be finalized within two months by taking into consideration the two reports mentioned above on prospects of industry in the country both for Commercial and Military purposes utilizing the facilities available at Karachi Shipyard. The Committee also directed the Ministry of Communication to prepare a report on purchase of foreign manufactured ships by the country during the last 10 years, explaining as to why foreign purchased were resorted to when the local manufacturing facilities remained unutilized.

630. *Payment to Commission Agent Rs.* 3.454 *Million* (*Para* 122, *page* 119-*ARCA*).—As per Audit an amount of Rs. 3.454 million was paid to Commission Agent who secured few orders from WAPDA, OGDC and PIDC. These orders from Government Organisations could have been obtained directly and payment of Commission avoided.

631. The Department explained that in view of tough competition, the Corporation had to appoint Influencial Commission Agents, who could secure orders worth Rs. 278,590 million. The representative of Finance held the view that it was against all financial discipline to allow commission on Public Sector Orders. The Committee was not satisfied with the departmental explanation and directed that public sector organizations should not involve Commission Agents in their business deals with their sister agencies as the mechanism was simply a source of corruption. This practice should be stopped forthwith.

Pakistan National Shipping Corporation

632. *Operational Results* (*Para* 124, *page* 120-*ARCA*).—Audit reported that the Corporation earned operating profit of Rs. 46 million during 1984-85 against operating loss of Rs. 204 million during 1983-84. The improvement was attributed towards increase in operating revenue by 49 per cent during 1984-85, as compared to 1983-84. This decision was due to decision of the Government to allow monopoly rights on Public Sector Cargo, to the Corporation. The Department informed the Committee that Ghee Corporation of

Pakistan stopped their business with the Corporation in November, 1986. The Chairman PAC observed that G.C.P. should not ordinarily get their Cargo through other agencies. The reasons for such a action by G.C.P. should be reported. It was also stressed that the Corporation should be competitive with other International Shipping Corporations. Planning Division should look into it.

633. The Committee directed that all cargo including edible oil imported by G.C.P. should be handled by National Shipping Corporation. A long term policy concerning managerial, financial, marketing and other aspects of the business so that the targets were well established and the performance could be measured should be framed in consultation with Planning and Finance Divisions.

634. *Bad Debts* (*Para* 125, *page* 120-*ARCA*).—As per Audit Report, heavy amounts of Bad Debts were being written off without proper investigation regarding chances of their recovery and little efforts were made to recover the amounts. A total amount of Rs. 28.38 million was written off as bad debts during 1983-84 and 1984-85. Audit suggested that it should be a regular process to review these balances. The provision of Bad Debts should also be reduced. The Department reported the Committee that Bad Debts written off were even recovered subsequently. The suggestions of Audit would be taken care of.

635. The Committee directed the departmental representative that a thorough investigation of the bad debts which had been written off or being written off, should be made and reported to the Committee.

636. *Insurance Claims* (*Para* 127, *page* 121-*ARCA*).—Audit pointed out that insurance claims outstanding, were to the extent of Rs. 95.474 million on 30th June, 1985, which rose to Rs. 103.094 million as on June, 1986. These included a sum of Rs. 58.350 million recoverable from P&I Club, which had gone into liquidation. The Committee was informed by Audit that an additional amount of Rs. 83.672 million was outstanding pending settlement with suppliers as on 30th June, 1986. The Department reported that outstanding liability of insurance claim was Rs. 80 million and not Rs. 9.5 million as was shown. Since P&I Club had gone into liquidation, there was no chance of recovery.

637. The Committee directed that a long term policy should be framed in consultation with Planning and Finance. The members of Committee would like to visit P.N.S. and Shipyard. The Department may arrange such a visit alongwith representative of Finance and Planning Divisions.

COMMERCIAL AUDIT REPORT (1983-84)

Port Qasim Authority

638. *Non-recovery of Rs.* 36,391 *from Ex-employer* (*Para* 10, *page* 24-*ARCA*).—Audit reported to the Committee that an officer retained the official

hired accommodation for about 1½ years after termination of his service on 20th April, 1978 resulting in unnecessary expenditure of Rs. 26,052 as rent and Rs. 2,030 as damages caused to Furniture and fixture. The Authority filed a civil suit which had reportedly been decreed in favour of the Authority but the amount of decree has not been stated in Ministry's reply. In another case, an officer on deputation from Pakistan Railways was reverted to his parent department of 15th July, 1979, but he was provided hired accommodation on 20th July, 1979 *i.e.* 5 days after his reversion. The house was, however, vacated on 27th January, 1980. The rent for the period from 20th July, 1979 to 27th January, 1980 and some other dues amounted to Rs. 11,497 were not recovered. After adjusting his dues, the outstanding amount of Rs. 8,309 remained unrecovered even after contacting his parent department in October, 1979 and subsequently filling a suit in March, 1982. This indicated that timely action was not taken by the Authority at appropriate level with the Railway Authorities. The Department intimated a brief history of both the cases. The Committee directed that the Department should look after the cases and get it verified from Audit.

639. The Chairman PAC wanted that the Department should brief the Committee about the financial position of the Authority. The Department reported that they were recovering operating expenses. Financial charges were very heavy. The Department earned revenue during the construction stages and a reserve had been created from amongst the earning. Audit then pointed out that submission of Accounts were being delayed. There was an investment of Rs. 3,302 million from Government accumulated losses were at an increase. The position should be looked after right now, before it was too late. There were Rs. 360 crores assets of Government and 80 crores foreign capital. The rates of Karachi Port were lower as compared to Port Qasim. The Department intimated that non-utilization of capacity was being looked into. It had also been suggested that the Infrastructure charges should not be recovered as port charges. Audit at this point reported to the Committee that there was Rs. 8 crores interest on foreign loans. Government equity was free. During 1984-85, there was a loss of Rs. 12 crores. It was the appropriate time to take corrective measures. The Committee observed that any financial restructuring might not be of considerable help to the Authority. To ensure future viability of the Port, the Government shall have to take certain long term decisions. For instance one way could be to equalize the rates of port services at Bin Qasim and Karachi and to put the two ports under one administration so that the outlay could be spread over the total port handlings. The Committee also felt that it was high time that the problems should be taken care of and asked the Planning Division to carry out a study as to how the Bin Qasim Port can be made a viable and self-sustaining agency.

COMMERCIAL AUDIT REPORT (1984-85)

Port Qasim Authority

640. *Investment of Fund in 30 days notice Account* (*Para* 131, *page* 122-*ARCA*).—Audit observed that the Port Qasim Authority had a cash|Bank Balance of Rs. 67.372 million, of which Rs. 43.324 million was on account of security deposit of Shipping Companies and Steamer Agents, and retention money of contractors. The cash was being kept in a current account. A better cash management could have been possible. The Department informed that the instructions had been noted for compliance. The Paragraph was settled by the Committee.

National Tanker Company (Private) Limited.

641. *Operating Results* (*Para* 132, *page* 123-*ARCA*).—Audit observed that although the freight income had shown increase every year the net profits had shown a decreasing trend, which was Rs. 20.3 million in 1983-84 but was reduced to Rs. 2.877 million in 1985-86. The Department explained in brief the reasons of decreasing net profit and reported that exchange fluctuations cut down their profits.

642. The Chairman observed that financial expenses should be reduced to the minimum. Audit at this point observed that profit was being paid to Pakistan Refinery at the cost of this Corporation. The Committee observed that a continuous watch should be kept over the operations of the company and financial control should be tightened.

643. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points paras in the Appropriation Accounts, Audit Report and Commercial Accounts thereon. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

644. The Committee then adjourned to meet again at 9.00 a.m. on Tuesday the 31st March, 1987.

M. A. HAQ,
Secretary.

Islamabad, the 18*th July*, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 31st March, 1987

Eleventh Sitting (PAC)

645. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 to 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Malik Said Khan Mahsud, Minister of State for Water and Power .. .. *Member*

(3) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(4) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(5) Mr. Miangul Aurangzeb, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. Muhammad Aslam, Deputy Secretary.

(2) Mr. Gulzar Ahmed Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(3) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(5) Mr. Munir Ahmed, Director General Audit (PT&T).

Ministry of Finance :

(1) Mr. H.A. Niazi, FA (Communications).

(2) Mr. Riaz Ahmed Sheikh, DFA (Communications).

(3) Mr. Hussain Ahmad, DFA (Communications).

Planning and Development Division :

Dr. M.A. Aghai, Director General (Project Wing).

646. *Accounts Examined.*—Accounts pertaining to the Ministry of Communications were examined by the Committee during the course of the day.

MINISTRY OF COMMUNICATIONS

647. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Communications which were left over on 30th March, 1987. The following Departmental representatives were present :—

(1) Mr. K.U. Faruqi, Secretary.

(2) Syed Ibrahim Shah, Deputy Secretary.

(3) Mr. Muhammad Yunus, Section Officer (F&A).

(4) Mr. S.A. Siddiqui, Director General (T&T).

(5) Mr. Idrees Malik, Additional Director General (PPO).

(6) Brig. Hamid Butt, Director General (SCO).

(7) Mr. Nazir Hussain Shah, General Manager (NRTC).

APPROPRIATION ACCOUNTS (1984-85)

648. *Grant No. 19—Ministry of Communications (Page 176-AA)*.—The Grant closed with a saving of Rs. 393,207. The Committee did not make any observation, the saving being nominal.

649. *Grant No. 22—Department of Shipping Control and Mercentile Marine (Page 182-AA)*.—As per Appropriation Accounts, there was a saving of Rs. 87,376, which was 1 per cent of the Final Grant and the Committee did not make any observation.

650. *Grant No. 23—Lighthouses and Lightships (Page 190-AA)*.—The Grant closed with a saving of Rs. 206,659, which was within permissible limit. The Committee did not make any observation.

651. *Grant No. 24—Other Expenditure of Ministry of Communications (Page 194-AA)*.—Appropriation Accounts showed that this grant was closed with a saving of Rs. 9,259,680. Audit further observed that this saving of Rs. 9 million, despite excess expenditure of Rs. 7.5 million on repairs of Karakurram Highway by Frontier Works Organisation was required to be explained. The Department held that detailed discussions on the subject were held while discussing Grant No. 24 of 1983-84. The Committee directed that directive under Grant No. 24 for 1983-84 would also apply to this Grant.

652. *Grant No. 142—Development Expenditure of Ministry of Communications (Page 202-AA)*.—This Grant closed with an excess of Rs. 63,195,949. The Department while explaining the excess reported that an expenditure of Rs. 24,375,000 pertaining to year 1981-82, was booked against the grant for the year 1984-85. Moreover a Supplementary Grant of Rs. 41,950,000 was

sanctioned on 3rd June, 1985, but was not included in the Final Grant as it was not printed in the Book of Supplementary Grants. The Committee recommended the excess for regularisation through Excess Budget Statement.

653. *Grant No.* 175—*Capital Outlay on Ports and Shipping* (*Page* 206-AA)—The Grant closed with a saving of Rs. 26,008,871, which was 4 per cent of the Final Grant. The Committee was informed that main saving was due to the fact that Foreign Exchange could not be utilized as Rupee coverage was not made available. The Committee observed that there should be better financial control.

654. *Grant No.* 176—*Capital Outlay on Communication Works* (*Page* 210-*AA*).—Appropriation Accounts depicted that this Grant closed with an excess of Rs. 65,289,013. The Department explained that the amount of excess represented expenditure incurred by Frontier Works Organisation without the knowledge and consent of Ministry. The F.W.O. in their written reply stated that funds as demanded were not allowed. The works which were in final stage of completion, had to be completed hence excess expenditure was incurrd. In this case it was the same problem, which was discussed while discussing last years Accounts. The Chairman, PAC observed that the whole system should be gone through for improvement. The excess was almost 15 per cent. The Department reported that to keep the traffic going the construction and repairs of Roads of National Importance could not be deferred. The Committee recommended the excess for regularisation through Excess Budget Statement.

APPROPRIATION ACCOUNTS (PPO) (1983-84)

655. *Grant No.* 20—*Pakistan Post Office Department* (*Page* 27-*AA-PPO*).—There was a saving of Rs. 30,252 under charged section and excess of Rs. 20,986,500 under "other than charged" section of this grant. The saving under "charged" section was nominal. As for "other than charged" section, the figures of Final Grant did not agree with figures taken by Post Office Department. The Department reported that Economy Cut of Rs. 50,338,000 and Special Supplementary Grant of Rs. 31,806,000 were not accounted for, if these were taken into Account, there would have been a saving. The Committee directed that reconciliation should invariably be done in time. The excess was recommended by the Committee for regularisation through Excess Budget Statement.

656. *Grant No.* 168—*Capital Outlay of Pakistan Post Office Department* (*Page* 30-*AA-PPO*).—There was a saving of Rs. 427,722 which was normal and Committee did not make any observation.

AUDIT REPORT (PT&T) (1983-84)

657. *Audit Review of Performance* (*Para A*-1 *to A*-3, *pages* 9-10-*AR-PT&T*).—Audit pointed out that physical implementation of certain projects was negligible and projects pertaining to small building works were not completed even after lapse of 14 to 18 years. The Department reported to the Committee that the Works under observation were generally deposit works for which funds were deposited with Public Works Department and they have not carried out works. Chairman PAC observed that a list of all such works may be supplied, to the PAC. The Committee directed that in order to minimise the delay in execution of projects, the Public Works Department should start the work within one month when the funds are released to them.

658. *Control over Expenditure* (*Para B*-6, *pages* 12-13-*AR-PT&T*).—According to Audit Report the grant under Capital Outlay was not evenly distributed during the year with the result that there was a rush of expenditure in the closing month of June, 1984 as shown below :—

Cash disbursement for preceding 11 months ..	Rs. 23.361 million.
Cash disbursement in June	Rs. 36,411 million.
Excess expenditure in the closing month	Rs. 13,050 million.

659. According to the Ministry, out of total allocation of Rs. 60.200 million an amount of Rs. 23.610 million was released by the Finance Division (FA's Organisation) in June, 1984. Audit pointed out that Committee might like to ask the Finance Division the reason for this release in June, 1984 when no supplementary grant was involved. The excess of 507 per cent over the average of preceding 11 months under "Maintenance of Assets" also need to be explained by the Ministry. The Department intimated that this was mainly due to the fact that amount of 23.610 million could be released in June, 1984. The Committee directed that Department should be careful in spending.

APPROPRIATION ACCOUNTS (PPO) (1984-85)

Pakistan Post Office Department

660. *Grant No.* 20—*Pakistan Post Office Department* (*Page* 27-*AA-PPO*).—The grant closed with an excess of Rs. 17,316,137 under "other than charged" section. The Department explained that excess was due to advance payment of Pay and Allowances in June, 1985 on Eid and revision of Pay Scales. A Supplementary Grant was asked to meet this excess expenditure, but could not be allowed being late. The Committee recommended the excess for Excess Budget Statement.

661. *Grant No.* 173—*Capital Outlay of Pakistan Post Office Department* (*Page* 30-*AA-PPO*).—The Grant closed with a nominal saving of Rs. 244,195. The Committee did not make any observation.

AUDIT REPORT (PT&T) (1984-85)

662. *Review of Performance* (*Para* 1.1 *to* 1.3, *pages* 11-12-*AR-PT&T*).—Audit pointed out that against estimated gross receipts of Rs. 635.20 million the actual receipts were Rs. 585.52 million only. The targets of realization of revenues were below estimates by 8 per cent. On expenditure side there was an increase of Rs. 17 million over and alone the estimated figures. The Department informed the Committee that revenues during the year had increased by 6.6 per cent, over 1983-84, which was a normal increase. Audit held that Budgets were not properly prepared. There were shortfalls in forecasts. The Department informed that their estimates were different which were not accepted by Finance, who fixed their own targets for us. The Committee observed that the Budget, may it be for expenditure or receipt, should be realistic and be prepared accurately as far as possible. This was more correct in the case of revenue Budget, as all expenditure budgets were based on revenue targets fixed.

663. *Easy Accessability of the Service to People in Urban as well as Rural Areas* (*Para* 1.4, *page* 12-*AR-PT&T*).—Audit in their observation indicated that in Sixth Five-Year Plan, the Department had planned for opening of 500 Urban Post Offices *i.e.* 100 offices during each year of the Plan. 18 Urban Post Offices were opened for 4 months only during the year. The achieved physical targets were hardly 24 per cent. Similarly in the case of rural area the development was below targets. The Department explained that less achievements were due to non-provision of funds and thus the targets could not be achieved. The Committee observed that the Department should make all out efforts to strick to targets fixed. Targets should be fixed as per resources and the yearly plan should be realistic and be properly implemented.

664. *Investment in Postal Savings Schemes* (*Para* 1.5, *page* 12-*AR-PT&T*).—Audit pointed out that the target set in the Sixth Five-Year Plan was to increase the net investment in postal savings schemes from Rs. 750 million to Rs. 1200 million per annum. Actual increase in the investment was Rs. 593 million against the target of Rs. 930 million during 1984-85.

665. The Department reported that since the investment in capital outlay was reduced by 50 per cent by Government, the achievements of targets was not possible. Even the publicity of postal schemes by the Central Directorate, National Saving was dis-continued. The investment, however, increased by about 90 million over 1983-84. The Committee observed that target should be reviewed yearly alongwith progress in Plan period. The yearly changes should be absorbed in the Plan.

666. *Delay in Execution of Project Works* (*Para* 1.6, *page* 13-*AR-PT&T*).—Audit in their review of on-going Civil Works Project reported that the investment was not being made in rational manner. A large number of schemes initiated during last 15 years were in different stages of completion and desired results were not forthcoming. The Department enlisted the hindrances in the way of completion of projects. These were general deposit works which were delayed by P.W.D. The projects were approved but funds were not provided according to the requirement of the Project. Fourth quarter releases were withheld by Finance. The Planning representative pointed out that the funding problems some time arise, when foreign allocations committed were not forthcoming. The Committee after some discussion directed that the problems should be properly taken care of and whenever a project was undertaken by P.W.D. on behalf of some other Department, there should be some check during its execution by the Department also.

667. *Interest on Capital* (*Para* 1.8, *page* 16-*AR-PT&T*).—Audit observed that during 1984-85, an amount of Rs. 47.8 million accrued as interest against which an amount of Rs. 45 million was disbursed. This resulted in non-accountal of Rs. 2.8 million during 1984-85, which during 1985-86 had increased to Rs. 5.2 million. The liability of last two years was being thrown over the grant of next year to avoid excess over the grant. The Department promised to adjust it during 1987-88. Chairman PAC wanted opinion of Finance on the subject. The representative of Finance explained that it will be studied. The Committee desired that Finance should come well prepared when this matter would be considered in the next year's report.

668. *Rush of Expenditure* (*Para* 1.9, *page* 16-*AR-PT&T*).—Audit pointed out that there was rush of expenditure during the last month of Financial year 26 per cent of the total funds relating to capital outlay were spent during eleven months and the remaining 84 per cent during the last month of financial year. The Department explained that in addition to the fact that P.W.D. was executing agency of Capital Works, the funds were released late by Finance. The representative of Finance informed that 1st quarter founds were released in July, subsequent releases were made on demand and on submission of complete Accounts. The Department at this point informed the Committee that funds were delayed even in cases where demand was submitted in time. The Committee directed that the Finance should see that arrangements were made to release the funds within 15 days of receipt of demand.

669. *Cash Balance Reconciliation* (*Para* 1.10, *page* 17-*AR-PT&T*).—Audit in their report stressed the need for timely reconciliation of balance and reported that the Annual Accounts of Post Office were prepared without reconciliation

of cash transactions with the Treasury. The Department informed the Committee that everything possible was being done to reconcile the figures but Treasuries did not verify the transactions.

670. The Committee directed that the Department should supply figures to Treasury Officer by 7th of each month and Treasury Officer should return the statement duly verified by 15th of the same month in every case. Responsibility for non-reconciliation of figures in time should invariably be fixed. These recommendations should also be sent to the Provincial Government for compliance.

671. *Losses|Defalcation of Public Money in Post Offices* [*Para* 2.1 (*a*) *page* 19-*AR-PT&T*].—As per Audit Report a total No. of 112 cases of defalcation of losses of public money were reported. These cases involved an amount of Rs. 3,871,682 which was more than sum total of previous four years. In 95 per cent cases departmental employees were held responsible for defalcation of Rs. 3,780,152 which formed 97.64 per cent of the total amount. The Department reported to the Committee that there were only 41 cases during 1984-85 and not 71 as pointed out by Audit. The amount involved was Rs. 552,561 and not Rs. 3,780,152. An amount of Rs. 332,569 had already been recovered leaving a balance of Rs. 219,992.

672. After going through the explanation of the Department, the Committee directed that the Department should review the existing procedure and supervision should be tightened to have a better control over these defalcation cases.

673. *Un-necessary purchase of Liveries, Uniforms etc. Valuing Rs.* 470,915 (*Para* 2.5, *page* 21-*AR-PT&T*).—Audit reported that in a formation|cloth valuing Rs. 375,235 and uniforms etc., worth Rs. 95,680 were purchased in excess of the requirements with the result that these were lying in stock for the last so many years. The Department informed the Committee that these had been used. The Committee settled the Paragraph subject to Audit verification.

674. *Irregular Expenditure of Rs.* 352,122 *on Printing* (*Para* 2.7, *page* 22-*AR-PT&T*).—The Committee was informed by Audit that expenditure of Rs. 352,122 was incurred on printing without getting a no objection certificate, as required under the rules, from Printing Corporation of Pakistan. The Department intimated that it was in some urgent cases only that printing was got done through Private Printers on lower rates and N.O.C. could not be obtained due to urgency.

675. The Committee directed that 100 per cent printing work should be got done through Printing Corporation of Pakistan except in cases where a no objection certificate had been obtained. The paragraph was settled.

676. *Overpayment of extra duty allowance Rs.* 42,480 (*Para* 2.11, *page* 24-*AR-PT&T*).—Audit pointed out that an amount of Rs. 42,480 was irregularly paid indiscriminately as extra duty allowance in July, 1983 to almost all the staff of a Post Office. The Department explained the circumstances under which this extra duty allowance was paid. It was also reported that it was being regularised under orders of competent authority. The Committee settled the Paragraph subject to recovery|regularisation and verification by Audit.

677. *Outstanding balance under Public Accounts* [*Para* 3.4(*a*) *to* (*h*), *pages* 27—30-*AR-PT&T*].—Audit in their report pointed out that loans to Government Servants amounting to Rs. 38.795 million were outstanding and proper accounts were not maintained. The accuracy of balances of unfunded Debts was doubtful as Subsidiary Accounts were not reconciled. There were accounting irregularities in Benevolent, General Insurance and Zakat Fund. Proper records of balancing, reconciliation of Repayable Advances, Suspense Accounts and Exchange Accounts with Civil and Defence, were not properly made, which had made the position of those Accounts doubtful. The Department informed the Committee that steps had been taken to remove deficiencies. Audit observed that heavy amounts were involved and Audit could help to clear these Accounts. The Committee deferred the case as a Committee constituted by the PAC was already examining the issue.

APPROPRIATION ACCOUNTS (PT&T) (1983-84)

Pakistan Telegraph and Telephone Department

678. *Grant No.* 21—*Pakistan Telegraph and Telephone Department* (*Page* 27-*AA-T&T*).—This Grant closed with an excess of Rs. 49,764,648 under other than charged section. The Department attributed the excess to advance payment of salary on Eid, and revision of pay scales. The Committee recommended the excess for Excess Budget Statement and remarked that the Department should be more careful in future.

679. *Grant No.* 169—*Capital Outlay of Pakistan Telegraph and Telephone Department* (*Page* 30-*AA-T&T*).—There was a saving of Rs. 56,107,783 which was 3 per cent of the Final Grant. Audit, however, challenged the expenditure shown in the Appropriation Accounts and reported that expenditure was actually Rs. 2154 million against Rs. 1677 million shown. Thus there was excess of Rs. 477 million and not saving as stated by the Department. The Department explained that it was an old objection of Audit to book expenditure of stock suspense. A Committee formed to go into this aspect had held its meeting. Audit reported that final report of this Committee had not so far been received. The Committee deferred consideration of this Grant and directed that the report of the Committee should be submitted within one month.

AUDIT REPORT (PT&T) (1983-84)

680. *Settlement of Accounts with Foreign Countries* (*Para* 7, *page* 48-*AR-PT&T*).—Audit pointed out that the Department did not carry out settlement of overseas Telephone, Telegraph and Telex accounts, for the period June, 1981 to March, 1984 in respect of Eight Countries, although these were required to be settled at the end of each quarter of a year. An amount of $ 196,022.30 was recoverable from Iran, USA and India despite lapse of a period of more than two years. The Department explained that 100 per cent amounts were recovered without any arrear. A time lag was always there, and such amounts could not be treated as outstanding. The Committee agreed to a suggestion of Auditor-General for appointed of an adjuster, if not already exists to settle inter-departmental financial issues. The Department was asked to submit list of Government agencies with outstanding dues in order to issue directive to defaulting agencies.

681. *Loss of Revenue Rs.* 836,475 (*Para* 8.2, *page* 49-*AR-PT&T*).—Audit pointed out that Pairing Checks of Inward Trunk Call Tickets with outward Trunk Call Tickets for few months had revealed that calls were made from different Exchanges but were either not charged or less charged which resulted in a loss of Rs. 836,475. This loss may increase if Pairing Checks were applied to full year. The Department informed the Committee that the amounts were included in the bills of subscribers and an amount of Rs. 1,72,224 had so far been recovered. The remaining amounts were being recovered either from the subscribers or operators concerned. The PAC directed that the recovery may be made and got verified from Audit.

682. *Loss of Revenue due to Short Billing—Rs.* 121,886 (*Para* 8.3, *page* 50-*AR-PT&T*).—Audit pointed out that the Telephone Calls billed by the AOTR Dadu during the period of July, November, December, 1983 and February, March, 1984 were less than the calls shown in the meters of NWD, although the same could be more by/adding local calls and not less in any case. This difference resulted in a loss of Rs. 121,886. The Department held that the loss pointed out was hypothetical and not real. It was explained that such situations arise due to technical defects which was being investigated. The Committee directed that Department should look into the discrepancies and take corrective steps to set every thing on right direction. The Committee deferred the examination of remaining Paras, to be taken up alongwith Accounts for 1984-85 of T&T Department.

M. A. HAQ,
Secretary.

Islamabad, the 18*th July*, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 28th July, 1987

Twenty Second Sitting (PAC)

*1251. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present:

P.A.C:

(1) Sardarzada Muhammad Ali Shah, M.N.A.	*Chairman.*
(2) Sardar Aseff Ahmed Ali, M.N.A.	*Member.*
(3) Rai Arif Hussain, M.N.A.	*Member.*
(4) Ch. Muhammad Sarwar Khan, M.N.A.	*Member.*
(5) Shahzada Jam Muhammad Yusuf, M.N.A.	*Member.*

National Assembly Secretariat:

(1) Mr. K.M. Chima, Secretary.

(2) Ch. Abdul Qadir, Additional Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit:

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(5) Mr. Irfan Hussain, Director General (A&A Works).

(6) Mr. Munir Ahmed, Director General Audit (PT&T) Lahore.

Ministry of Finance and Planning Division:

(1) Mr. Manzur Husain, Joint Secretary (Budget).

(2) Dr. M. A. Aghai, Director General (Project Wing), Planning Division.

(3) Mr. H.A. Niazi, FA (Communications).

(4) Mr. Riaz Ahmed Shaikh, DFA (Communications).

1252. *Accounts examined.*—Accounts pertaining to the Ministry of Communications were examined by the Committee during the course of the day.

*Paragraphs upto 1250 pertain to other Ministries/Divisions.

MINISTRY OF COMMUNICATIONS

1253. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Communications. The following departmental representatives were present :—

(1) Mr. K.U. Farooqui, Secretary.

(2) Mr. Abdur Rehman, Joint Secretary.

(3) Syed Ibrahim Shah, Deputy Secretary.

(4) Mr. Muhammad Yunus, Section Officer (F&A).

(5) Mr. S.A. Siddiqui, D.G. (T&T)

(6) Mr. Zulqarnain Qureshi. Chief Accounts Officer (T&T).

(7) Col. Syed Akhtar Murtaza, Offg. D.G. (SCO).

(8) Brig. Khalid Raza, MD (NRTC).

(9) Mr. Mazhar-ul-Haq, MD (TIP).

(10) Mr. Abdul Hafeez, Chief Commercial Manager (TIP).

(11) Mr. M.R.A. Khan, MD (CTI).

(12) Brig. Syed Aftab Ahmed G.M. (ITR).

1254. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
	1984-85	
1.	Pakistan Telegraph and Telephone Department	21
2.	Capital Outlay of Pakistan Telegraph and Telephone Department	174

AUDIT REPORT (PT&T)—1983-84

1255. *Outstanding Telephone dues* (*Para* 9.3, *page* 52-*AR-PT&T*).—Audit pointed out that heavy amounts of telephone charges were outstanding in case of telephone exchanges of Mirpur, Gilgit and Muzaffarabad. An amount of Rs. 6,826,297 was recoverable against Government Telephones, Rs. 3,131,586 against Private Connections and Rs. 1,197,122 against closed telephones. Telephone for which dues were not paid were not disconnected and were allowed to continue resulting in accumulation of arrears, in clear contravention of Rules and Government Instructions. These arrears which were Rs. 3.88 million in previous years had increased to Rs. 6.8 million in the case of Government Telephones and from Rs. 1 million to Rs. 3.1 million in respect of Private

Telephones. No reasons had been given in respect of this increase. The Department reported that arrears of Rs. 11.15 million as on 30th June, 1984 had also been recovered except for an amount of Rs. 0.1 million. The procedure of recovery of telephone dues had also been streamlined. The main arrears were against Government Departments who could not pay for want of funds. Powers of disconnection had now been delegated to lower formations. Digital system if installed could help solve the problems.

1256. Audit at this point observed that current amounts of outstanding were also heavy. There was already a limit for each Government Telephone, which was not being observed.

1257. The Committee observed that telephone should not be used for long distance calls, where telex facilities were available. Audit may carry out an exercise in respect of expenditure on Government Telephones in the case of each Ministry and submit to P.A.C. making suggestions for reduction in telephone expenditure.

1258. *Performance of Organisation* (*Para* 9.4, *page* 53-*AR-PT&T*).—Audit pointed out that total number of working telephones was 6,410. An amount of Rs. 18,273,586 was earned as Revenue against these telephones during the year 1983-84, whereas maintenance expenditure during this year was Rs. 32,743,000 which means that the Department has sustained a loss of Rs. 14,469,414. The ratio of maintenance expenditure to Revenue was 1.79 : 1 during 1983-84 against 4.86 : 1 during 1982-83. No reason for this loss had been given.

1259. The Department explained that the ratio for 1982-83 was not correctly quoted by Audit. This ratio had, however, come down to 1.09 : 1 in 1985-86. N.A. of AJ&K area was handed over to Defence *w.e.f.* 1st July, 1976 before this date it was under T&T Department. The Representative of Planning observed that Army could not maintain it better than T&T Department. The Department replied that as far as rectification of faults, the Defence was more efficient with the means available with them. The revenue shown above did not include foreign exchange revenue. The Paragraph was settled by P.A.C.

1260. *Un-authorised expenditure of Rs.* 70,958,172 *incurred in excess of sanctioned estimates* (*Para* 4.1, *page* 57-*AR-PT&T*).—Audit pointed out that in 19 formations of the T&T Department during the years 1981-82 to 1983-84, an expenditure of about Rs. 71 million was incurred in excess of 10 per cent of the sanctioned estimates. Of this amount, expenditure of Rs. 287,167 was stated to have been regularised (copies of sanctions awaited in Audit) while the balance bulk amount still required regularisation despite lapse of a period of

2 to 3 years. This showed lack of financial control on the part of the Department. The Chairman PAC enquired how the Department could incur this un-authorised expenditure? The D.G. replied that some time expenditure had to be incurred because of orders from high ups. PAC showed annoyance over this remark and directed to submit a report of those who had pressurised them for installation of telephone which resulted into expenditure against unsanctioned estimates. The Department admitted that it was a serious irregularity and promised to regularise it within two months. The Committee directed that un-authorised expenditure may be regularised within two months and responsibility for this financial indiscipline must be fixed and those found responsible should be taken to task.

1261. *Expenditure against unsanctioned estimates Rs.* 4,191,072 (*Para* 4.4, *page* 58-*AR-PT&T*).—According to Audit Report, in two Divisions at Karachi, expenditure of Rs. 4.2 million (approx.) was incurred during the year without getting the estimates sanctioned and funds allotted by the competent authority. The irregularity had been admitted by the Department but responsibility for it had not been fixed. Also the bulk of this expenditure (Rs. 3.4 million) has not so far been regularised despite lapse of a period of 2 to 3 years. This again showed lack of proper financial control. The Department informed the Committee that sanction to estimates was delayed due to technical reasons. The estimates were being sanctioned. A Member of Committee observed that this excess expenditure was incurred in clear violation of Financial Rules. The Department did not take the trouble of getting proper approval in total disregard of rules on the subject.

1262. The Committee took a serious view of incurring heavy expenditure without obtaining sanction from the competent technical authority and without availability of funds in the Budget in total dis-regard of Financial Rules. It was directed that responsibility for this financial indiscipline must be fixed and those found responsible should be taken to task under intimation to P.A.C. Such irregularities should also be recorded in A.C.R.'s of those responsible.

1263. *Bank Reconciliation* (*Para* 5, *page* 83-*AR-PT&T*).—Audit pointed out that the work of reconciling balances, held in the T&T Fund, with State Bank|National Bank of Pakistan had not been completed by the Department despite lapse of a period of more than 6 years. The PAC might like to stress the immediate need of doing this job. The Auditor-General further observed that Bank Balance must reconcile with Departmental Figures. The Accounts were meaningless without reconciliation of cash balances. The Committee directed that instructions already issued by P.A.C.; should be followed in letters and spirit.

1264. *Telephone Industries of Pakistan Limited* [*Para* 1 (*c*), *page* 76-*AR-PT&T*].—This para was discussed alongwith Performance Audit Report of Telephone Industries of Pakistan Limited.

PERFORMANCE AUDIT REPORT

Telephone Industries of Pakistan Limited

1265. Audit observed that the Telephone Industries of Pakistan had a capacity to manufacture 40,000 telephone exchange lines. Due to separation of East Pakistan about 50 per cent capacity became idle. To utilize the capacity, diversification of production was considered as one of the alternatives. Two agreements one for portable typewriters and other for Standard typewriters were signed with M|s. MESSA of Portugal in April, 1973 (PC-I was approved by ECNEC in November, 1973). The main consideration in selecting MESSA, was free of cost supply of tools, machines and technical data in respect of portable typewriters and purchase of total inventory of finished goods.

1266. Production was started in 1974-75 by assembly of portable typewriters. Due to delayed supplies from M|s. MESSA, the project did not achieve the targets. Political upheavels in Portugal resulted in bankruptcy of M|s. MESSA and thus TIP lost the collaborator and the customers. The economic viability of the project was based on the production of Portable typewriters and its export to M|s. MESSA. As there was no home market for portable typewriters and the guaranteed export market was lost, therefore, the project started incurring loss from the very beginning. Loss upto 1983-84 was Rs. 18 million.

1267. The feasibility study of the project was not carried out before going for production of typewriters, and a Non-reputable firm was selected for collaboration. Financial position of the collaborator was also not examined closely with the result that TIP could not foresee imminent danger of bankruptcy of M|s. MESSA. The assurance by M|s. MESSA to lift the entire product entailed inherent risk of monopoly. Technology forecast was not prepared with the result that the project contained no provision for modernisation of the product. The agreement was defective as it did not contain appropriate provision to safeguard the interest of TIP. Rather clause 6.5 of the agreement left no ground for TIP for claiming any damages on account of losses due to delay in supply of equipment|material or any other non-performance on the part of M|s. MESSA. Indirect labour cost and operational expenses which were more or less fixed for a new organisation constituted as much as 89 per cent to 96 per cent of the total cost of production. This had resulted in un-economic production.

1268. The Department informed the Committee that due to separation of East Pakistan, as many as 160 men were surplus, thus a diversification was made.

1269. The Committee observed that the Department may look into the possibility of manufacturing equipment for message storing capacity as in U.S.A. As for typewriters, the Department should work on Electronic Typewriters Technology. Director General may submit his recommendations regarding introducing modern technology in Telephone Apparatus.

Installation of Multan Road Telephone Exchange, Lahore

1270. Audit narrated brief history and reported that for the installation of 2000 lines Multan Road Telephone Exchange Lahore, piecemeal provisions of telephone lines were made in three different countrywide projects (Main projects were to be completed by June, 1971, June, 1975 and June, 1978). The first provision for 100 telephone lines was made during 1965-66. The provisions for other 1900 lines were made between 1970—75, the construction of exchange building was completed between November, 1969 to September, 1972. Installation of 1000 lines exchange was completed in June, 1975 and the next 1000 lines in June, 1981. The cable network for 300 lines was completed in October, 1975 and for next 700 lines in June, 1981. The network for additional 1000 lines was completed between June—December, 1981. The estimated cost of exchange equipment and other allied works was 14.7 million. Actual expenditure was 15.9 million (6 per cent excess).

1271. Different phases of installation and expansion of the exchange were not properly planned as no implementation schedule for each exchange was given in PC-I. The estimates sanctioned by the department for the component works also did not indicate the period required for the execution of each task. Various stages of the project implementation were without a logical sequence *e.g.*, estimate for 100 telephone lines was sanctioned in 1966 while the land was acquired in 1969 and exchange building was completed in 1972. Installation of 1000 lines exchange was completed in June, 1975 whereas the relevant three installation orders on TIP were placed in November|December, 1976.

1272. The exchange capacity was 1000 lines from June, 1975 which was increased to 2000 lines from June, 1981. The full capacity could not be utilised till May, 1983 as the cable network was not completed side by side. Due to under utilisation of capacity, the department sustained an estimated loss of revenue to the extent of Rs. 2.6 million between January, 1982 to May, 1983 (Loss prior to January, 1982 has not been worked out due to non-availability of complete data). The service and efficiency of the exchange was not satisfactory as the monthly average of the docketed complaints during 1982—85 was 429 per cent higher than the permissible limit of 20 faults per 100 subscribers.

1273. The Department in reply reported to P.A.C. that, it was not a fault of planning. The funds were not made available in accordance with approved phasing of the project. It was also incorrect to say that lines were not installed and connections were not allowed where cables were available. A Member pointed out that facility was available, but connections were not allowed to Public. The Department replied that although exchange facility was available, but cables were not available, as funds were not provided, laying of cables was not funded according to approved phasing. It was thus not correct to say that connections were not allowed, although lines were available.

1274. On a query from the Chairman, PAC, as to how exchange was installed where there was no provision, the Department promised to look into this aspect.

1275. The Committee directed that Finance, Audit and Planning should look into it as to how this was done without a provision and also why a co-ordination could not be made.

APPROPRIATION ACCOUNTS (PT&T) 1984-85

1276. *Grant No.* 21—*Pakistan Telegraph and Telephone Department* (*Page* 21-*AA-PT&T*).—The grant closed with a saving of Rs. 15,544,808 which was 1 per cent of the final grant, and was within permissible limits. The Committee did not make any observation.

1277. *Grant No.* 174—*Capital Outlay on Pakistan Telegraph and Telephone Department* (*Page* 24-*AA-PT&T*).—According to the figures printed in Appropriation Accounts, there was an excess of Rs. 149,922,022 under this grant. Audit pointed out that an expenditure of Rs. 201 million was booked by the Department under 'suspense and' remittance heads of Account. Thus the real amount of Excess was 351 million and not 149.9 million. The excess of Rs. 163 million was under foreign exchange and excess of Rs. 188 million under local currency. Non-reconciliation of amount of foreign loans with Economic Affairs Division, and non-adjustment of loans of Rs. 676 million upto 30th June, 1985 was required to be explained. The expenditure was not booked project-wise, although allocation of funds in A.D.P. was project-wise. The expenditure against various projects could not be verified. The Department could not spend foreign exchange during the last four years. This year there was excess expenditure. The Department reported to the Committee that Rupee cover was not provided, as such foreign exchange could not be spent. Even the last plan payments were outstanding for want of Rupee cover. The Bills of contractors were outstanding. They have gone to courts. The A.D.P. of T&T was 150 Crores and the Rupee cover was hardly 50 per cent. The difficulty with the Department was that World Bank wanted it to spend the money.

The Pakistan Government stated that there was no money. The representative of Planning Division reported to the Committee that it was now being ensured that adequate rupee cover would be supplied.

1278. The representative of Finance informed the Committee that there was definitely some defect some where. There was wrong booking also. Audit observed that they were not aware, if the money was spent or not. The Department intimated that a task force was already looking into it, and a report was awaited. The Planning Division also promised to look into the accounts of last two years with particular reference to foreign exchange allocation and spending.

1279. The Committee directed that the representative of the Department, Economic Affairs Division, Planning Division, Finance Division and Audit should sit together and sort out problems of non-provision of rupee cover in the case of foreign exchange utilisation. The examination of excess under this grant was deferred.

AUDIT REPORT (PT&T)—1984-85

1280. *Other Store Losses Rs.* 191,131 (*Para* 6.4, *page* 81-*AR-PT&T*).—Audit pointed out that Telephone instruments and spares valuing Rs. 191,131 were replaced during 1983—85 without recovering cost from subscribers of Rawalpindi, Lahore and Karachi. Particulars of subscribers were neither on record nor mentioned in the Departmental reply furnished in July, 1987. The Department reported that in certain cases, replacement of instruments were due and the amounts were not recoverable. In cases where recovery was due, it had either been made or was in process.

1281. The Committee observed that Internal Audit should be strengthened by the Department. The Paragraph was settled subject to verification by Audit.

1282. *Non-accountal of stores valuing Rs.* 29.807 *million* (*Para* 6.6, *page* 82-*AR-PT&T*).—According to Audit, stores valuing Rs. 29.807 million received by 32 formations during 1983—85 were not accounted for in the numerical account. Non-accountal of receipts could make the misappropriation of stores possible. It was pointed out during September, 1983 and July, 1985. Departmental reply showed that accountal of these stores was still in progress in many of the formations even at this belated stage while it should have been done then and there as per rules. The Department admitted that it was a case of negligence. Most of the stores had since been accounted for and the balance were being accounted for. The store keeping system was being tightened up to avoid this point. Auditor-General observed that it was not a break down of system but there appeared to be no system, at all.

1283. The Committee took a serious view of the situation and directed that strict instructions should be issued for accountal of stores. The Department should streamline the procedure regarding receipt and issue of stores. This must be done within one month. Computerisation of inventory Control System may also be considered by the Department. The Paragraph was deferred.

1284. *Blocking of Capital Rs.* 5.1 *million* [*Para* 6.7 (*a*), *page* 82-*AR-PT&T*].—Audit reported that imported cable valuing Rs. 5.1 million allocated to a development Division in excess of actual requirements during 1981-82 remained unutilised. It was pointed out by Audit in 1984. Department in reply stated that material was being transferred|debited to various estimates. Loose control over distribution and use of cable, therefore, resulted in blockade of capital. The Department informed the Committee that full facts had not been given in their written reply. An inquiry in this case had been ordered, which will submit a report within one month. The Committee observed that the Department should come well prepared. The paragraph was deferred.

1285. *Loss of Rs.* 4.1 *million due to ineffective implementation of the agreement* (*Para* 6.8, *page* 84-*AR-PT&T*).—As per Audit, D.T.S.W. Karachi awarded a contract for supply of 1920 M|Tons of M|s. Sheet at the rate of Rs. 8,258 per M|Ton in May, 1983. Firm was required to supply the sheets in 4 months time *i.e.* by 24th September, 1983. Firm could supply only 100 M| Tons within the contracted period. Despite grant of extension upto December, 1983, no supply was made till 15th March, 1984 when the contract was cancelled at the risk and cost of the supplier. Department did not encash the bank guarantee of Rs. 793,000 till 31st March, 1984 when the supplier field a suit. Excess expenditure of Rs. 4.1 milllon being the difference in cost of supplies from second supplier also stood recoverable from the original contractor. The Director General informed the Committee that he was not satisfied with the action so far taken, and it had been decided to hold an Inquiry. A report will be submitted to PAC within one month. The Committee directed that the Department should hold an inquiry and submit a report within 15 days.

1286. *Non-realisation of Revenue Rs.* 8 *lakhs from a Government Department* (*Para* 6.10, *page* 85-*AR-PT&T*).—Audit pointed out that statistical signal centre, Multan, was provided a Gentex exchange in July, 1977. No revenue receipts or maintenance charges were recovered from the Department. Thus T&T Department sustained a loss of Rs. 8 lakhs upto August, 1984, when it was pointed out by Audit. No progress|recovery has been todate. The Department informed the Committee that Gentex Exchange was provided for Martial Law Authorities. Bills were sent to the Martial Law Authorities in 1984 but were not honoured. The matter was being taken up at higher level. The Committee after some discussion observed that the Department had not come to the meeting fully prepared, the Department must expedite the recovery. The Ministry of Defence may direct the formation to pay the amount within 15 days

1287. *Loss of Rs.* 447,139 *due to unauthorised telephone connections* (*Para* 6.12, *page* 86-*AR-PT&T*).—According to Audit, 15 Telephone connections were installed in the offices and residences of departmental officials without sanction of the competent authority in a formation during 1979-80 and 1980-81. 13 Telephones were closed in February, 1984 with recorded consumption of 614,634 units resulting in a bill of Rs. 368,780. Remaining 2 connections were closed in June, 1986 with recorded consumption of 130,599 units and with a bill of Rs. 78,359. Total bill of Rs. 447,139 had not been recovered from the officials concerned. The Department informed the Committee that 15 Telephones were working for testing of exchange equipment and meters of subscribers telephones. 13 out of these had since been closed and their bills verified. The remaining two were still working and were being regularised. The circumstances under which these telephones were installed at residences were being enquired into. The paragraph was settled, subject to verification by Audit.

1288. *Loss of Rs.* 121,361 *on excavation of Cable Trenches* (*Para* 6.14, *page* 87-*AR-PT&T*).—Audit pointed out that Gujranwala Division got executed the work of excavation of cable trenches by itself (departmentally) at a cost of Rs. 454,038. The work was not executed through the approved contractors who had offered comparatively lower rates that would have costed only Rs. 332,667. Thus Government sustained a loss of Rs. 121,361. The Department explained that the expenditure would have been more, had these works in scattered areas been carried out through contractor. The comparison of rate of big cities with small cities by Audit was not justified. The Committee accepted the explanation and settled the paragraph.

1289. *Non-recovery of water charges Rs.* 109.005 (*Para* 6.15, *page* 88-*AR-PT&T*).—Audit pointed out that a Telephone Division paid Rs. 109,005 to L.D.A. on account of arrears of water charges for the period 1973 to 1984. These arrears related to water used by the residents of 24 residential Quarters and by the Contractor for construction purposes but were not recovered. Thus Department had sustained loss of Rs .109,005. Investigation of the matter and recovery from users was needed to be made. The Department informed the Committee that the amount was paid to L.D.A. The matter was, however, being investigated. The paragraph was dropped subject to verification by Audit

1290. *Loss of Rs.* 96,883 *due to accepting higher rates* (*Para* 6.17, *pages* 88-89-*AR-PT&T*).—According to Audit, a work of excavating cable trenches and supplying steel grills and gates was awarded to three contractors at higher cost. Total cost of each item of work on the basis of rates offered by other bidders was not worked out in order to determine the lowest bid. Had this been done, work would have costed Rs. 829,422 instead of Rs. 926,305. Though Director (Development) found the work unsatisfactory on inspection and ordered concellation, it was not complied with. The Department in their written reply informed that the matter was under investigation. The Committee directed that Audit should watch and verify the result of investigation and paragraph was settled.

1291. *Loss due to the poor quality of Construction Rs.* 66,365 (*Para* 6.21, *page* 90-*AR-PT&T*).—Audit pointed out that a contractor was paid Rs. 120,000 for the work of construction of Masonary Walls and R.C. top in 1980. Building Overseer complained of poor construction in September, 1981 and work was got executed from the same contractor on verbal orders and without work order in 1982 and he was paid Rs. 66,365 in March, 1984. No inquiry was conducted though it was proposed by the head of the formation in November, 1982. The Department informed the Committee that an inquiry in the matter had been instituted. The result of inquiry will be reported to Audit in due course. The paragraph was settled subject to verification by Audit.

1292. *Loss due to short-realisation of cost of works Rs.* 3 *million* (*Para* 6.23, *page* 91-*AR-PT&T*).—As per Audit, Rs. 3,071,619 were incurred on works either in excess of deposits received or without receiving any payment. These included National Highway Board, Canal Department, Agriculture Training Institute and Management of Abu-Dhabi Palace. The Department intimated that a part of amount was recovered and balance was under process of recovery. The Committee settled the paragraph subject to verification by Audit.

1293. *Loss on manufacture of Cable Ducts* (*Para* 6.24, *page* 91-*AR-PT&T*).—According to Audit, actual out put in Karachi, Lahore and Islamabad Cable Duct Factories was 10 to 12 ducts per cooly against 19 per cooly as required in the laid down standard. This had resulted in increased labour cost which was a loss to the Department. The Department explained that standards referred to by Audit were applicable in Sweden and not in Pakistan. An inquiry was ordered and Department was satisfied with the results of inquiry. The paragraph was settled. The Committee, however, directed to conduct special audit of Highways.

1294. *Overpayment of Rs.* 159,000 [*Para* 6.25 (*b*), *page* 93-*AR-PT&T*].—Audit pointed out that a firm was paid Rs. 194,000 for supply of foreign make paper roll at a rate of Rs. 194 per roll. Actually firm supplied local made rolls with market price of Rs. 35 per roll. Department in reply stated that supplier had supplied rolls in cartons bearing marking "Made in SWEDEN" hence these were not inspected. Matter needs investigation to fix responsibility for acceptance of material without inspection, making payment and releasing security deposit. The Department informed the committee that a part of the amount overpaid had been recovered, the balance could not be recovered, as the firm had gone to the Court of Law. The Chairman PAC observed that the Department should have been vigilant as foreign exchange was involved in this case.

1295. The Committee directed that action should be taken against those responsible for accepting the stores without verification. The paragraph was deferred.

1296. *Undue Financial Aid to Contractors Rs.* 182,334 [*Para* 6.27 (*a*), *page* 95-*AR-PT&T*].—According to Audit, a formation paid Rs. 287,339 to contractors on account of annual repairs in 1983-84. Rs. 105,005 were paid on approved schedule of rates while remaining amount of Rs. 182,334 was paid for non-schedule items without inviting competitive rates and without analysing the rates charged in the bills in order to judge their fairness. Expenditure incurred in this manner was, therefore, irregular. The Department in their written reply explained that the expenditure was incurred with proper sanction of competent authority. There was no loss involved in it. Audit reported that an officer was deputed to verify the reply, but records were not made available.

1297. The Committee settled the paragraph subject to verification by Audit. It should come as a new para, if audit was not satisfied.

1298. *Fictitious Expenditure of Rs.* 249,000 *on Excavation of Cable Trenches* (*Para* 6.29, *page* 96-*AR-PT&T*).—Audit pointed out that 35 Kilometers cable was laid during 1982-83 for expansion of Model Town exchange of Gujranwala. Estimate provided excavation of cable trench on 2.25 K.M. PACCA surface and 32.75 K.M. Kachha surface. While it was fictitiously shown in excess to the tune of 14.6 K.M. and 6.7 K.M. respectively involving payment of Rs. 249,000 to the Contractor. The Department informed the Committee that the matter was under inquiry. The Chairman P.A.C. wanted to know the date on which inquiry was ordered. It was not available with the Department. The Committee directed that the Department should come fully prepared and all enquiries should be finalised within 15 days. The paragraph was deferred.

1299. *Doubtful payment to coolies Rs.* 1.2 *million* (*Para* 6.50, *page* 107-*AR-PT&T*).—Audit pointed out that 13 formations paid Rs. 1,224,079 to coolies between 1982-83 and 1984-85 without keeping the record of work done and in certain cases without recording Identity Card Nos. of payees in violation of departmental instructions and PAC's directive that Department should keep proper record. It showed that Department had not taken effective measures to stop such payments as this had been repeatedly pointed out in the previous Audit Reports as well. The Department explained that daily diaries were being maintained. The work of clearing and sweeping could not be measured. The records for the payment of Rs. 90,555 were not maintained and an inquiry was being conducted in these cases. The Committee settled the paragraph subject to verification by Audit.

1300. *Waste of Public Money Rs.* 6.6 *million and a recurring revenue loss of Rs.* 198,000 *per annum* (*Para* 6.51, *page* 108-*AR-PT&T*).—According to Audit, 33 PCOs were installed in Baluchistan during the period 1981-82 to 1983-84 with capital expenditure of Rs. 6.6 million. These were not operated for want of operating staff. Revenue of Rs. 6000 per PCO per annum was anticipated which was not forth-coming. Hence Department also sustained recurring loss of Rs. 198,000 per annum. The Department explained that the PCO's had started functioning. The delay was due to non-availability of skilled staff. The loss worked out by Audit was hypothetical. Main purpose of project was not commercial, but to provide facilities of communication to farflung areas of Baluchistan. The Committee settled the paragraph.

1301. *Un-necessary payment to Contractor Rs.* 153,433 (*Para* 6.54, *pages* 109-110-*AR-PT&T*).—According to Audit Report, a contractor was paid Rs. 153,433 for the work of cable jointing while formation had 11 cable jointers on its strength. When pointed out by Audit, the Department stated in August, 1985 that cable jointers were incompetent and had little knowledge of work. In the latest reply, Department has attributed it to the increased quantum of work. The Department informed the Committee that in fact the volume of work was beyond the capacity of cable jointers employed in the Department. The paragraph was settled by the Committee, subject to verification by Audit.

1302. *Avoidable excess expenditure of Rs.* 75,573 (*Para* 6.57, *page* 110-*AR-PT&T*).—As per Audit, a work of providing and fixing rubber tiles in an exchange was got executed at a rate of Rs. 60 per sft. Costing Rs. 151,146 by a Lahore Division in June, 1981. Another Division paid Rs. 30 per sft. for the same work in July, 1981. Had open tenders been called, avoidable excess expenditure of Rs. 75,573 could have been saved. The Department informed that the case was under investigation and result will be intimated in due course. The paragraph was settled, subject to verification of implementation of results of inquiry by Audit.

1303. *Irregular expenditure of Rs.* 901,642 (*Para* 6.62, *page* 113-*AR-PT&T*).—According to Audit, a Division spent Rs. 901,642 on procurement of 3000 telephone sets for new connections against available spare capacity in

1984-85. Audit did not admit sanctioned estimate because telephone sets for the full capacity of exchanges had been provided at the time of initial installation and subsequent expansion. Estimate was cancelled in February, 1985. Expenditure was thus irregular. The Department reported that an inquiry had been ordered in this case. The Committee directed to complete the enquiry within two months and Audit should watch the inquiry report. The paragraph was settled subject to verification by Audit.

1304. *Irregular Expenditure of Rs. 16.9 million incurred in excess of the sanctioned estimates (Para 6.68, page 115-AR-PT&T)*.—According to Audit, in 6 formations an expenditure of Rs. 71 million was incurred against sanctioned estimates of Rs. 54 million resulting in 32 per cent extra-expenditure of Rs. 16.9 million. Revised estimates were, however, not approved by competent authority. The Department informed that the revised estimates were sanctioned in majority of the cases. The Committee directed that this case may also be considered by the Committee formed by P.A.C. in its directive under grant No. 174. The paragraph was deferred.

1305. *Unauthorised expenditure of Rs. 37,557 on repairs of vehicle (Para 6.75, page 118-AR-PT&T)*.—Audit pointed out that a Divisional Engineer incurred an expenditure of Rs. 37,557 against 5 estimates sanctioned by him for repair of vehicles during November, December, 1984. It was unauthorised expenditure because he was empowered to sanction expenditure on repair and maintenance of vehicles upto Rs. 2000 per vehicle per annum. The Department intimated that a departmental inquiry was ordered which was finalising its report. The Committee observed that directive of PAC on para 6.68 would also apply to this paragraph.

1306. *Unauthorised expenditure against unsanctioned estimates Rs. 33 million (Para 6.76, page 118-AR-PT&T)*.—As per Audit, 21 formations irregularly expended Rs. 33.14 million against unsanctioned estimates in violation of Departmental Rules. Audit pointed out this irregularity to the heads of formations during June, 1981 to February, 1985 as well as to DG T&T and the Ministry but regularisation action was not reported to Audit. The Department explained that the estimates were being sanctioned. The Committee observed that there appeared to be a lot of financial indiscipline in the organisation. The system was required to be looked into. The paragraph was deferred as directive of PAC on para 6.68 would also apply to this paragraph.

1307. *Unauthorised expenditure on local purchases Rs. 1.27 million (Para 6.78, page 119-AR-PT&T)*.—Audit pointed out that 15 formations made local purchases of articles of furniture and items of stores valuing Rs. 1,276,346 during

October, 1982 to April, 1985. Purchases were made without calling tenders and without sanctions showing loose financial control. The Department explained that payments were being regularised where necessary.

1308. The Committee directed that unauthorised expenditure should be regularised and internal control should be tightened up.

1309. *Realisation of Dues Rs. 1,682 million [Para 8.7 (d), (e), pages 135—137-AR-PT&T]*.—Audit pointed out that an amount of Rs. 697.95 million was receiveable from Foreign Countries, and an amount of Rs. 107.92 million on account of special circuits and Rs. 96.37 million from circuits of Railway, Canals and other administrations in addition to an amount of Rs. 779 million outstanding as telephone dues.

1310. The Department explained that receiveables against foreign countries were normal, as for arrear against private connections, one month bills were generally in arrear, as for Government, four to five months arrears were considered normal. Attempts were being made to reduce these arrears further. The representative of Finance observed that Department should provide aging of these outstanding dues. The Committee directed that Ministry of Defence should direct its formations to pay arrears. The position of arrears will be watched through accounts of next year. The paragraph was settled.

1311. *Constraint increase in outstanding dues against closed connections (Para 8.8, page 137-AR-PT&T)*.—Audit pointed out that there was constant increase in the amount of outstanding dues against closed connections. At the end of 1981-82 these were Rs. 112.21 million at the end of 1982-83 these were Rs. 173.57 million, at the end of 1983-84 these were Rs. 196.20 million and at the end of 1984-85 these were Rs. 220.03 million.

1312. As the telephones were closed permanently, increasing trend was alarming. There existed no system to guard against such losses. The Department reported that recovery was in process and all possible steps were being taken to recover the outstanding amounts on closed accounts.

1313. The Committee directed that recoveries should be expedited Audit should bring same big cases of arrears in next years accounts.

Special Communications Organisation

1314. *Revenue and Management Expenses [Para 8.20 (a), page 143-AR-PT&T]*.—Audit while carrying out financial review of the organisation reported that expenditure of this organisation was shown separately, but no details of Budget|Appropriation etc. were made available to Audit. Despite lapse of 10 years adequate arrangements have not been made for crediting revenue of Special Communications Organisation to T&T Fund. As such, a part of the revenues was still lying with the Banks. The Department informed the Committee that there was no definite ruling on the subject. The amount held by National Bank was Rs. 150 million approximately. There appeared to be some flaw in accounting procedure. There was no procedure to check its accuracy. This will have to be checked, as to where this amount had gone. Audit observed that this was T&T Fund and Department must know its whereabouts and ensure that amount was credited to Government.

1315. The Committee directed that a letter should be written to all concerned for intimating actual position. It was serious that money was not credited to Government Accounts. This will be examined alongwith the Accounts for 1985-86. Full facts should be placed before the Committee.

1316. *Loss of Stores* (*Para* 9.6, *page* 151-*AR-PT&T*).—As per Audit Report, in C.T.S. annexed godown of Main Depot Karachi, Stores valuing Rs. 534,853 were burnt due to short-circuit. Despite lapse of two years neither responsibility had been fixed nor loss written off. Remedial measures stated to have been taken were not known. The Department reported that a write off case had been prepared and was in process of sanction. The Committee settled the paragraph subject to verification of write off action by Audit.

National Radio Telecommunication Corporation

1317. *Advances from Customers* [*Para* 10.9, (*b*), *page* 168-*AR-PT&T*].—According to Audit, advances from Customers increased from Rs. 282 million in 1984 to Rs. 320 million in 1985. 72 per cent of the total profit actually represented interest income of these advances. In 1984 profit (before Taxation) was Rs. 16.96 million, Income from interest Rs. 12.36 million and in 1985 profit before Taxation was Rs. 18.70 million and income from interest Rs. 13.47 million. Huge advances were being granted by T&T Department under Transitory Heads not covered by any budget Grant. Obtaining huge advances to earn interest is not justified and needed to be explained. The Department reported that the corporation do not take any advance against any project, other than for equipment required by Defence and T&T. Most of the works were done for defence. The amount representing local component was paid in advance by Defence. L.C. was opened straightaway. In the mean time, some profit was earned. The representative of Finance observed that it should be in a regular manner and such interest earning was irregular.

1318. The PAC directed that Committee already formed consisting of representatives of Audit, Finance, the Ministry and Planning Division should also look into this case. Financial arrangements appeared to be defective.

Carrier Telephone Industries (Pvt.) Limited, Islamabad

1319. *Operating Results* [*Para* 10.13 (*c*), *page* 170-*AR*|*PT&T*].—Audit observed that Company's selling price included 10 per cent production losses which actually vary between 3 to 5 per cent only and needed to be justified. The Department explained that 10 per cent production losses were only charged when there were losses. However, the matter will be reviewed. The paragraph was settled by P.A.C.

1320. [*Para* 10.13 (*d*), *page* 170-*AR-PT&T*].—Audit held that although there was 41 per cent increase in sale during the year but profit decreased by 1 per cent which needed to be justified by Department :—

(i) Other Income decreased by 3.58 per cent.

(ii) There was increase in expenses in the following :—

Spares consumed	75%
Repairs & Maintenance	20%
R&D	20%

The Department reported that a little decrease in profit was due to product Mix Variance. Audit promised to study it further. The paragraph was settled by P.A.C.

PERFORMANCE AUDIT REPORT

Electronic Telephone Exchange, Lahore

1321. *Selection of System.*—Audit reported to the Committee that feasibility study was not carried out before selection of a system for Lahore. Analog type switching system (ND-10B) was selected and an agreement was signed with NEC in June, 1977. Study group for selection of electronic switching system was formed in November, 1977. The group completed its report in June, 1979 and recommended digital system but the department had already acquired analog system which technology was soon going to be outdated. ND-10B system was not working anywhere before its installation at Lahore.

1322. The system was installed for 6000 lines with the processor having expansion capacity upto 20,000 lines. During operation the processor was found to be not capable of carrying load even for 6000 lines. After 5 years the contractor replaced the processor but the Department found that further expansion in exchange lines was not advisable due to the technology having been outdated and expensive in maintenance.

1323. *Under Utilisation of Capacity.*—Continued malfunctioning of the system resulted in non-utilisation of full capacity (6000 lines in 5 years. Pace of utilisation of capacity was as below :—

Month	No. of Working connections	Pending Demand
October, 1980	86	4520
December, 1980	556	4064
December, 1981	2772	1722
December, 1982	4273	2090
December, 1983	5309	2073
December, 1984	5392	2675
December, 1985	5002	2800
April, 1986	5118	3004

1324. The Department sustained estimated loss of revenue to the extent of Rs. 31 million during October, 1980 to April, 1986 due to under utilisation of capacity. The Department informed the Committee that this was the best working unit in Pakistan and was giving maximum revenue to the T&T Department. It was intimated that the same system could be used for 20,000 lines of calling rate was reduced. Again there was international pressure and it was indicated that if automatic system was not installed, the country will be dis-connected Arrangements were thus made hurriedly. There were demands of Rs. 50 crores, by now, as amount recoverable by the Department. The Committee observed that it will examine it alongwith next years accounts.

1324-A. *Installation of Multan Road Telephone Exchange, Lahore.*—After discussion, the Committee directed to appoint PAC's Committee supported by representatives of the Ministry, Finance, Planning Division and the Auditor-General to look into the issues raised in the report.

1325. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points|paragraphs in the Appropriation Accounts, Performance Audit Report and Audit Report (PT&T) thereon. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules after verification by Audit.

K. M. CHIMA,
Secretary.

Islamabad, the 24th January, 1988.

Annexure 'B'

FEDERAL COUNCIL SECRETARIAT

Sunday, the 6th January, 1985

Eleventh Sitting (PAC)

*1678. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan	*Member. (Acting Chairman).*
(2) Syed Saieed Hasan, Member, Federal Council	*Member.*
(3) Akhunzada Barahwar Saeed, Member, Federal Council ..	*Member.*
(4) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council.	*Member.*
(5) Mr. Abdul Qadir, former Chariman, Railway Board ..	*Member.*
(6) Mr. Uusuf Bhai Mian, Chartered Accountant	*Member.*

Federal Council Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Syed Muhammad Ahmed, Assistant Secretary.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.

(6) Mrs. S. N. Sheikh, Director General, Commercial Audit.

(7) Mr. Iftikhar Ali Khan Raja, Director General, (A.A. Works), Lahore.

(8) Raja M. Saleem Khan, Director, Foreign Audit.

*Paragraphs upto 1677 and 1679 to 1741 pertain to other Ministries/Divisions.

***Ministry of Finance*:**

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Mr. S. M. Hasan, F.A. (Commerce).

(3) Mr. Masood Ahmed, DFA (Commerce).

MINISTRY OF COMMERCE

1742. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Commerce. The following departmental representatives were present :—

(1) Mr. Izharul Haq, Secretary.

(2) Mr. S. Ghulam Ahmed, Joint Secretary.

(3) Mr. Abdul Rashid, Deputy Secretary.

(4) Mr. Muhammad Daud, G. M. (TCP).

(5) Mr. K. M. Khalfe, Controller of Insurance.

(6) Mr. Abid Husasin, Chairman (CEC).

(7) Mr. S. M. A. Ashraf, Chairman (PIC).

(8) Mr. Marghub Ahmad, Finance Adviser (EPB).

(9) Mr. Muhammad Kaleem, D. G. (EPB).

(10) Mr. Hasan Jafar, Chairman (RECP).

(11) Mr. Jalilullah, Registrar (T.M.R.).

(12) Mr. Muhammad Aurangzeb Khan, Chairman (PTB).

1743. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Commerce	16
2.	Export Promotion	17
3.	Other expenditure of Ministry of Commerce	18
4.	Development expenditure of Ministry of Commerce ..	142

1744. *Reconciliation of Accounts with Audit.*—The Committee noted that reconciliation of Accounts had been completed upto 1982-83. As for the reconciliation for 1983-84, the Committee observed that the same had been completed except for Rebate on Cotton Textile Export under Grant No. 17 pertaining to the A.G.P.R., Peshawar Circle. *The departmental representative given the following directions* :—

(i) *Payment of rebate on manufactures by State Bank under Grant No. 17—The Ministry should arrange to secure from the State Bank periodical payment advices in order to keep track of the accounts. The Ministry should also ensure the reconciliation of accounts with the State Bank.*

(ii) *The reconciliation of Accounts of Cotton/Export Corporation should be expedited.*

(iii) *Demand Nos. 16 and 17—The Accounts of these demands should also be reconciled.*

APPROPRIATION ACCOUNTS

1745. *Grant No. 16—Ministry of Commerce (Pages 180—182-AA).*—The appropriation accounts show a net saving of Rs. 995,990 under this grant. The Ministry replied that a Supplementary Grant of Rs. 159,000 for opening of a new office at Bella Centre, Copenhagen was sanctioned by the Finance Division on 11th February, 1981 which was subsequently cancelled on 24th February, 1982. The Finance Division wrongly printed the supplementary grant and the same was incorrectly shown by the AGPR, Islamabad in the Appropriation Accounts for the year 1981-82.

1746. Audit pointed out that they had shown the Supplementary Grant of Rs. 159,000 in Appropriation Accounts as this was printed at page 6 of the Supplementary Budget for 1981-82. The cancellation of Supplementary Grant was not notified.

1747. In view of the position stated above, the Committee observed that it should have been notified. In future the department should be more careful in doing so.

1748. The Accounts showed a saving of Rs. 42,474 under object '600—Transfer payments'. It was stated by the Ministry that the saving was mainly due to the following reasons :—

(i) Rs. 20,623—due to less expenditure incurred on entertainment and gifts.

(ii) Rs. 21,851—due to non-payment of gratuity to local Translator in the Commercial section at Tripoli.

1749. Audit commented thereon, as under :—

(a) The reappropriation of Rs. 99,600 made to this object proved excessive, as it closed with a saving.

(b) Reasons for non-inclusion of savings in the surrender order were not recorded.

(c) The explanation submitted by the Ministry for the saving was no explanation. They should be more specific.

1750. The Acting Chairman enquired as to who were the beneficiaries of the gifts made by the Ministry? The departmental representative replied that visiting delegations coming from abroad were presented with these gifts.

1751. The Committee did not make any further observation on this grant.

1752. *Grant No. 17—Export Promotion (Pages 190—192-AA)*.—A net excess of Rs. 250,678,563 was shown in the published Accounts in this grant. The Ministry explained that the total supplementary grant sanctioned under this demand during 1981-82 was Rs. 7,766,000 whereas only a sum of Rs. 4,913,000 had been printed in the book erroneously. An amount of Rs. 2,853,000 allowed as additional Supplementary Grant (Rs. 2,500,000 for goods and export items and Rs. 353,000 for Additional Activities of Pakistan Design Institute) were omitted through an oversight by the Finance Division. Audit maintained that as the printed book of Supplementary Grant for 1981-82 contained Rs. 4,913,000 under Grant No. 17 they had correctly incorporated it, and that the department had not specified when the schedule of the remaining amounts *viz*. Rs. 2,500,000 and Rs. 353,000 were sent by them to the Finance Division.

1753. The Acting Chairman observed that the department might like to check up whether there was any supplementary schedule or not. The Acting Chairman thought that there was an omission on the part of the department.

1754. No further general observation was, however, made by the Committee in this regard.

1755. As regards the excess of Rs. 117,016 under object '012—Other Staff'. The department stated that by adding the supplementary grant under '012—Other Staff' the Final Grant had come to Rs. 1,921,902 and not Rs. 1,773,902 as incorrectly shown. Thus the actual excess was Rs. 30,984 and not Rs. 117,016 as printed in the Appropriation Accounts. The excess was due to higher pay scales announced by the Government during the year 1981-82.

1756. A member of the Committee observed that the higher scale was announced in July, 1981 and the department had 12 months to ask for a supplementary grant. What was the effect of the revision? The departmental representative expressed his inability to give figures as these were not readily available. The Acting Chairman remarked that when an explanation is given, the relevant figures should be produced.

1757. *The Committee felt that the explanation of the Ministry did not seem to be satisfactory and the correct explanation might be given by them.*

1758. '*500—Commodities and Services*'.—An excess of Rs. 67,628 shown in the Accounts under this object was explained by the Ministry to be partly due to increase in the rates of Travelling Allowance and partly due to the rise in the postage and electricity rates, and in the prices of stationery and newspapers and in telephone charges during the year 1981-82.

1759. A member of the Committee remarked that as to why the department did not give any reason and why the department did not ask for supplementary grant in this case. If the department had not observed the prescribed rules then they should have given good reason which had not been furnished by the department. The departmental representative could not give any convincing reply and said the department would take it up with the Finance Division. No further observation was made by the Committee.

1760. '*600—Transfer Payments*'.—The Accounts showed an excess of Rs. 1,947,799 under this object. It was stated by the department that actually there was a saving of Rs. 905,201 and not an excess of Rs. 1,947,799 as printed in the Appropriation Accounts. A supplementary grant of Rs. 2,853,000 was not printed in the book through an oversight by the Finance Division. By taking into account this amount the position would be as under :—

Final Grant	Accountal expenditure	Savings
Rs.	Rs.	Rs.
19,052,000	18,146,799	905,201

1761. *After discussion, the Committee directed that if the omission from inclusion in the Book was not an oversight and had been due to delay, the excess of Rs. 1,947,799 should have been met by asking for the supplementary grant in time. This may be noted for any such excess in future.*

1762. *Grant No. 18—Other expenditure of Ministry of Commerce* (*Pages 184—186-AA*).—The appropriation accounts show an excess of Rs. 171,818 in this grant. A member of the Committee remarked it was again an excess in "Commodities and Services" and the subject which had already been dealt with previously. He thought that sufficient attention had not been given to this aspect of there being excess invariably under this head. *As far as the explanation was concerned, the Committee observed that it must be ensured that the prescribed financial rules are observed in all such cases.*

1763. *Grant No. 142—Development Expenditure of Ministry of Commerce* (*Page 188-AA*).—There was no material point for consideration by the Committee in this grant.

AUDIT REPORT

1764. *Recoveries not effected—Rs. 95,921 (Para 3, page 42-AR).*—According to Audit, different allowances amounting to Rs. 95,921 were overpaid in 19 cases by Commercial Wings of 13 Missions abroad during the year 1974—80. In addition recoverable amounts in 5 cases were also required to be calculated, but no compliance was reported to Audit. It was explained by the Ministry that this paragraph was based on 25 Audit Paragraphs|Sub-paragraphs of Audit Reports of 13 Trade Missions abroad for the period from 1974—80. A sum of Rs. 17,657, out of the total amount shown by Audit had so far been recovered from the officials concerned.

1765. *In view of the position stated above the Committee directed the departmental representative that recovery of the remaining amount should be expedited.*

1766. *T.A. Advance not Adjusted—Rs. 157,334 (Para 4, page 42-AR).*—After hearing the departmental representative the Committee decided that the paragraph be dropped subject to verification by Audit.

1767. *Delay in processing of G.P. Fund Cases (Para 2, pages 281—283) (Sl. Nos. 35—38-AR).—The Committee observed that there should be some improvement in disposal of cases of G.P. Fund.*

1768. *Delay in the processing of Pension Cases (Para 3, pages 286-287) (Sl. Nos. 14—17-AR).*—A member of the Committee enquired as to why the pension papers in respect of Late Mr. Saleh Muhammad, Naib Qasid, were delayed when these were submitted duly signed by the family of the deceased on 20th October, 1981. The departmental representative replied that there was some amount outstanding against him.

1769. The Committee did not make any further observation and the paragraph was treated as dropped.

COMMERCIAL ACCOUNTS

Rice Export Corporation of Pakistan Limited

1770. [*Para 3 (iv), page 6-ARCA*].—Audit informed the Committee that the Accounts of Rice Export Corporation of Pakistan for the year 1981-82 had not been compiled. The Ministry reported that such had since been compiled.

1771. Thereupon, Audit stated that the Accounts for 1981-82 had been printed in the compilation of Commercial Accounts for the year 1982-83. A member of the Committee asked whether there was any particular difficulty, in compiling the Acounts in time. The departmental representative assured the Committee that in future, delay would be avoided.

1772. *The Committee observed that the Accounts must be compiled punctually and expeditiously.*

State Life Insurance Corporation of Pakistan

1773. [*Para 3 (v), page 6-ARCA*].—Audit had reported that the Corporation had declined to entertain the Government Audit for the year 1981-82. In their reply, the Ministry stated that in the light of the decision taken by the Ministry of Commerce in consultation with the Law Division that the State Life Insurance Corporation come under the purview of Pakistan (Audit and Accounts) Order, 1973, the Corporation had requested the Commercial Audit to undertake the Audit of its accounts. Accordingly, the Director of Commercial Audit, Karachi carried out the Audit of State Life Insurance Corporation (for the year 1982) from 21st August, 1983 to 24th January, 1984 and issued his report on 29th March, 1984.

1774. Audit informed the Committee that Accounts for the year 1982 had been printed in the Compilation of Commercial Accounts for the year 1982-83.

1775. *The directive of the Committee was also applicable as given in paragraph 3 (iv) above.*

Rice Export Corporation of Pakistan

1776. *Loss of interest amounting to Rs. 2.352 million due to late negotiation of letters of credit (Para 7, page 17-ARCA)*.—Since the reply of the Ministry was acceptable to Audit the paragraph was dropped.

1777. *Loss of Rs. 1.829 million due to non-recovery of cost of defective/sub-standard tarpaulins (Para 8, page 17-ARCA)*.—Audit had reported that on receipt of complaints in June, 1979, the Rice Export Corporation of Pakistan arranged 100 per cent survey of the tarpaulins purchased from November, 1978 to April, 1979, which disclosed that 1,058 pieces were defective and of sub-standard quality. The Corporation was unable to take any action against the suppliers as their security deposits had already been refunded. The defective tarpaulins had been accepted on the basis of inspection certificates of an Inspection Agency appointed under a contract which did not provide any safeguard against failure of this Agency.

1778. The Ministry explained that this paragraph consisted of following two sub-paragraphs :—

(a) Loss of Rs. 1.02 million due to acceptance of defective tarpaulins supplied by N.P. Waterproof Industries Limited.

(b) Loss of Rs. 0.81 million due to non-recovery of cost of defective tarpaulins.

1779. The Ministry further stated that as regards (a), a contract was awarded to the firm on 26th September, 1979 for supply of 1,000 Waterproof tarpaulins stipulating delivery from 28th February to 31st March, 1979. The entire consignments were delivered by the firm on 9th April, 1979. The supplies were inspected by the Inspection Agency nominated by the Corporation. All tarpaulins were found to be according to the laid down specifications. The tarpaulins were used for covering the stocks of rice lying in open space. In accordance with clause 10 of the Contract, payment to the firm was released against these supplies. After two months of completion of supplies, a report was received that the tarpaulins were defective or sub-standard. A survey was carried out and it was found that 58 tarpaulins which had been damaged during use, were supplied by N.P. Waterproof Industries Limited. The matter was taken up with the latter but the firm denied responsibility on the ground that it never supplied defective or damaged materials. However, second opinion was obtained from another inspection agency who confirmed certain defects in the tarpaulins.

1780. The Ministry further explained that as regards item (b) above it pertained to the acceptance of 503 defective tarpaulins supplied by PASSCO|TCP and Service Industries Limited during the years 1976—79.

1781. The Ministry also informed the Committee that about 2,500 waterproof tarpaulins were purchased during the period June, 1976 to February, 1979 from the above mentioned organisations. These tarpaulins were in use for a considerably long time for covering rice stocks stored in the open. The Ministry, therefore, contended that the objection raised by Audit did not appear to be justified and that the department had not suffered any loss on this account.

1782. Audit stated that the quantity supplied by N.P. Waterproof Industries Limited was found defective after two months of receipt as explained by the Ministry in their reply. It showed that proper inspection was not carried out by the outside Inspection Agency in April, 1979. Audit, therefore, held the view that responsibility for the defective inspection should be fixed and the loss regularised.

1783. Replying to a query, the departmental representative submitted that the inspector who was appointed by the Corporation was internationally recognized.

1784. Questioned as to what action the department took against the Inspector, the departmental representative replied that the report was received in from the agent, said that the tarpaulins had been badly used. When further asked as to the reaction of the employees of the department to the explanation given by the Inspector, the departmental representative replied that they disputed the charge of improper use. Moreover, the inspection agent did not accept the allegation of the department. The Audit representative maintained that action should have been taken against the Inspector. The department felt that they could not do so. Audit maintained that the department could have at least asked for repayment of the inspection fee.

1785. *After detailed discussion, the Committee took the following decisions* :—

(i) *Procedures should be improved for devised for proceeding against Inspector, if their report is found defective.*

(ii) *A copy of the inspection report should be given to Audit.*

(iii) *The department should satisfy Audit on the point, raised by the latter.*

1786. *Delay in the disposal of Audit/Inspection Reports* (*Para 48, pages 46-47-ARCA*).—The Committee did not make any observation on this paragraph.

Cotton Export Corporation of Pakistan Limited

1787. *Working results* (*Para 64, page 57-ARCA*).—The Corporation earned gross profit of Rs. 39.002 million during 1981-82 on sale of 0.313 million bales locally as against Rs. 2.285 million earned on sale of 0.363 million bales during 1980-81. This was mainly due to increase in average sales value by Rs. 191 per bale during 1981-82 as compared to 1980-81 whereas cost per bale during the same period increased by Rs. 73 only. On the other hand the Corporation sustained gross loss of Rs. 135.417 million on the export of 1.359 million bales during 1981-82 as against gross profit of Rs. 841.042 million earned on export of 1.909 million bales in the previous year. This gross loss was mainly due to decrease in average sale value from Rs. 2,773 per bale in 1980-81 to Rs. 2,248 per bale during 1981-82 which was stated to be a result of the fall in International prices.

1788. It was explained by the Ministry that the increase in cost of sale was mainly due to increase in cotton purchase price and interest and insurance expenses. The expenses increased as most of the cotton was purchased by local Textile Mills in the last quarter of 1981-82.

1789. Audit stated in their comments that the Corporation earned net pre-tax profit of Rs. 76.685 million during 1982-83. Audit had drawn attention to the need for better control over Administrative expenses which had been noted by the Ministry. However, these expenses further increased to Rs. 33.378 million in 1982-83.

1790. *The Committee directed that the Ministry should consider to evolve an arrangement whereby in the matter of paying income tax the loss of the Corporation in a year should be allowed for set off against future profits.*

1791. (*Para 65, page 58-ARCA*).—Since the reply of the Ministry was acceptable to Audit, the Committee did not make any material observation and the paragraph was dropped.

1792. (*Para 66, page 58-ARCA*).—As reported by Audit during the year 1981-82 Export Duty (Rs. 265.974 million) was not included in cost of sales as was done upto the previous year and as a result the account showed gross profit of Rs. 169.559 million instead of gross loss of Rs. 96.415 million actually sustained by the Corporation.

1793. It was explained by the Ministry that a change in the computation of Gross Profit had been made as the export duty in the previous years was added to the cost of sales. This year it had not been included in the cost of sales and shown as an expense after calculating gross profit, as an increase or decrease in the rates of export duty produced a corresponding increase or decrease in gross sales and consequently needed to be adjusted from cost of sales to remove the distorting effect of such external factors and to arrive at a more genuine measure of the management's effort towards its sales function when comparing one year's results with another.

1794. Audit confirmed to held that all the expenses relating to sale of Cotton should form part of cost of sales. Export duty was not an exception and it should be a part of cost of sales.

1795. A member of the Committee remarked that the department should have actually given the effect in terms of amount, of this change in the accounting policy because this was a very substantial change. The comparison of the two years, after this change, was not correct.

1796. The departmental representative accepted the above remark of the member. The same member further observed that the export duty was in this instance a part of cost of sales.

1797. *After discussion, the Committee made the following decisions* :—

(i) *The question of showing Export Duty not as duty should be discussed by the Ministry with the Finance Division for arriving at a suitable solution.*

(ii) *It should be ensured that the figures of transaction and their results given in reply are comparable.*

1798. (*Para 68, page 58-ARCA*).—Audit reported that the Corporation paid commission to foreign agents amounting to Rs. 8.172 million on the export of 1.359 bales in the year under review (1981-82) as against Rs. 3.552 million paid on the export of 1.909 million bales in the year 1980-81. The increase on commission to foreign agents from Rs. 1.86 per bale during 1980-81 to Rs. 6.01 per bale during the year 1981-82 needed to be justified.

1799. After examining the detailed reply of the Ministry, a member of the Committee enquired as to why Saigol Group of Industries against whom the recovery of Rs. 3,149,013 was outstanding under 'Trade Debtors (Local)' was not paying the amount despite the efforts made by the Corporation. The departmental representative replied that they had accepted the liability as also accepted the claim on behalf of three textile mills.

1800. *After further discussion, the Committee directed that it should be carefully checked by the department whether the Saigol Group of Industries was the correct legal entity, so that the claims against the Kohinoor Textiles Mills did not get time-barred.*

Export Credit Guarantee Scheme

1801. (*Paras 69-70, page 60-ARCA*).—The Committee was informed by Audit that the net profit earned by the Export Credit Guarantee Scheme in 1982 was Rs. 3.184 million. No further comments were made by Audit. The Committee, therefore, decided that the paragraphs be dropped.

National Insurance Corporation

1802. *The working results* (*Paras 71-72, page 61-ARCA*).—The Corporation earned a net profit of Rs. 160.95 million in 1981 as compared to Rs. 135.93 million in 1980. The increase was mainly due to increase in underwriting profit from Rs. 82.03 million in 1980 to Rs. 105.95 million.

1803. The Corporation suffered a loss of Rs. 2.038 million on Marine Hull Business and Rs. 4.307 million on Aviation Hull Business during the year as compared to loss of Rs. 1.332 million and Rs. 2.101 million respectively in the previous year.

1804. As far as the profit earned by the Corporation was concerned, the position set out by the Audit was factual and acceptable to the Ministry.

1805. As for the loss sustained by the Corporation on Marine Hull Business, the Ministry ascribed the main reason for the loss in Hull Business to the provision for premium reserve which was kept at 100 per cent of the premium in case of Hull Business as against 40 per cent in other classes of business. Thus, the loss on Hull Business could not be treated as actual loss but a technical loss only. The aforesaid reply of the Ministry was acceptable to Audit. The Committee did not make any observation on the above paragraphs.

Pakistan Insurance Corporation

1806. *The working results (Para 73, page 62-ARCA)*.—The Corporation earned net profit of Rs. 71 million during 1981 as against Rs. 7 million during 1980. The increase was mainly due to the reason that the Premium Reserve in 1980 increased by Rs. 55 million as compared to 1979 while there was no increase in the Reserve in 1981. The Committee was informed by Audit that the Corporation earned net profit of Rs. 73 million during 1982.

1807. The Acting Chairman enquired as to whether there was any proposal for de-nationalisation. The departmental representative replied that if the Adamjee Group could have their own Insurance Company, the Government could also have their own Insurance Company.

General

1808. After deliberation, the Committee took the decision in respect of the above-mentioned paragraphs 71—73 that the Ministry of Commerce should examine the question of exemption of the profits earned by these Corporations (NIC|PIC), from payment of income tax.

Pakistan Tobacco Board

1809. *The working results (Para 74, page 63-ARCA)*.—The excess of income over expenditure during 1981-82 was Rs. 3.400 million as against Rs. 2.820 million during the previous year. The income also included the Government Grant of Rs. 1.901 million in 1981-82. Besides, the operational expenses increased to Rs. 4.424 million during the year 1981-82 as against Rs. 3.473 million during the previous year.

1810. Commenting on the reply of the Ministry, Audit pointed out that the excess of income over expenditure in 1982-83 was Rs. 5.652 million.

1811. *After discussion, the Committee took the following decisions :—*

(i) *A report should be furnished to the PAC about the Research and Development activities under the Board.*

(ii) *The format of the Balance Sheet of the Board should reflect all possible details, for the benefit of the Ministry of Commerce.*

(iii) *Progress of recoveries should also be furnished.*

1812. (*Para 75, page 63-ARCA*).—The reply of the Ministry was acceptable to Audit. The Committee, therefore, decided that the paragraph be dropped.

1813. (*Para 76, page 63-ARCA*).—Audit stated that Rs. 0.933 million and Rs. 1.207 million remained unrealised from Mogul Tobacco Company and Souvenier Tobacco Company respectively, but nothing had been said in respect thereof.

1814. The Ministry explained that the case had been decided by the Court on 30th August, 1983 and the Board had been pressing the Central Board of Revenue|Central Excise Department for recovery of the accumulated amounts from the two Tobacco Companies. The Advocate-General of Sind High Court had been requested to supply a copy of the judgement so that the exact amount might be recovered. Audit requested that a copy of the judgement of the Court may be furnished to them.

1815. The Acting Chairman, enquired as to what was the percentage of the recovery, the departmental representative submitted that one-fourth had been recovered and three-fourth was still outstanding.

1816. *In view of the above position, the Committee observed that the progress of recoveries may be given to the PAC through Audit which may, if deemed necessary, revert back to PAC.*

Trading Corporation of Pakistan Limited

1817. *The operational results* (*Para 77, page 64-ARCA*).—The Corporation earned operating profit of Rs. 76.037 million during 1981-82 as against Rs. 272.747 million in 1980-81. This large decrease was mainly due to the reasons that the operating profit for the previous year included subsidy amounting to Rs. 177.65 million relating to 1979-80 received in 1980-81 and it was accounted for on receipt instead of accrual basis. Increase in administrative expenses by 24.65 per cent also contributed to the fall in operating profit.

1818. It was explained by the Ministry that in December, 1980, Government transferred trading in non-ferrous metals and mercury from the Corporation's exclusive import list to the free list. Withdrawal of these items had its impact on the business turn-over and operating profit in 1981-82. The import of these items reduced to 4,269 metric tons from 12,227 metric tons in the preceding year.

1819. Audit commented that sales of the Corporation decreased to Rs. 3429.139 million and the net profit decreased to Rs. 68.286 million during 1982-83.

1820. A member of the Committee remarked that considering the ratio of reduction in sales of Corporation, net profit had dropped to a greater extant. The departmental representative informed the Committee that in 1980-81 it had gone up. Initially the Corporation was set up with a view to import in bulk to meet the demand of the private sector. The Government had gradually passed back the function to the private sector and the Corporation was now making efforts to develop into an export house for the export of non-traditional items. After discussion, the Committee decided that the paragraph be treated as settled.

1821. *Physical verification of stock in trade (others) amounting Rs. 86,121 (Para 78, page 64-ARCA). After discussion, the Committee came to the conclusion that the department should carry out reconciliation and find out the discrepancy if any, and pass the requisite entries. They should also evolve a procedure to check the stock regularly. A statement of account should be prepared and given to Audit and then to PAC.*

1822. *Sundry Debtors (Para 80, page 64-ARCA).*—Sundry Debt at 30th June, 1982 was amounted to Rs. 65.239 million as against Rs. 68.433 million at the close of the preceding year. The year-wise and party-wise break-up of the above amount was not made available to Audit. As per record made available to Audit, debts amounting to Rs. 19.840 million as detailed below were outstanding for more than six years and thus the chances of their recovery were remots :—

Name of the Party	Outstanding since	Rs. in million
Lahore Engineering and Foundry Works ..	30-6-1976	11.352
Ministry of Health	30-6-1974	1.564
Nowshera Engineering Company ..	2/1976	4.837
Northern Foundry and Engineering works	2/1976	2.087
		19.840

1823. *After examining the reply of the Ministry and the Audit comments thereon, the Committee decided that it should be checked for necessary action, as to who would pay for the debentures of Lahore Engineering and Foundry Works and the Nowshera Engineering Company.*

COMPLIANCE ON THE POINTS RAISED IN THE 1979-80 PAC REPORT.

Reconciliation of Accounts with Audit (Para 149, page 87-PAC Report 1979-80).

1824. *Grant No. 15—Ministry of Commerce (Page 32-AA) (Paras 151-152, page 88-PAC Report 1979-80).*—After going through the departmental replies and Audit comments, the Committee decided to drop these paragraphs.

1825. *Grant No. 16—Export Promotion (Para 33-AA) (Paras 152-153, page 89-PAC Report 1979-80).*—The departmental representative was previously directed to have a revised explanation furnished to the Committee and also to locate responsibility for the excess expenditure and take necessary action against the defaulter.

1826. In compliance, the Ministry had furnished a revised explanation to the effect that the amount of Rs. 296,000 was surrendered on the basis of actual figures of expenditure available on 30th June, 1980 in the Headquarter of the Bureau at Karachi. Nevertheless Grant No. 16—Export Promotion also covered the zonal offices of the Bureau at Peshawar, Rawalpindi/Islamabad, Sialkot, Lahore, Multan, Faisalabad, Hyderabad and Quetta. Inspite of best efforts, their final accounts were sometimes delayed with the result that Headquarter Office at Karachi perforce surrendered the saving as per its books. This was exactly what happended in the year 1979-80. After the issue of surrender order of Rs. 296,000, it was learnt that there was in fact a net excess of Rs. 827,524. It was, therefore, not possible to fix responsibility on any single official.

1827. Audit maintained that the reply of the Ministry was not satisfactory. Control over expenditure was not being exercised properly as was evident from the fact that excess occurred in this Grant in the next two years also *i.e.* 1981-82 and 1982-83. The paragraph was, therefore, deferred.

1828. *Grant No. 17—Other Expenditure of Ministry of Commerce (Page 34-AA) (Paras 154—156, pages 89-90-PAC Report 1979-80).*—The committee had previously directed that Audit should submit a report to the Committee on (1) the problem of reconciliation of the Accounts with the State Bank of Pakistan and (2) in this case, (a) how the mistake actually occurred, (b) how was it going to be cleared, and (c) what corrective action was proposed to be taken to guard mistakes in future.

1829. Audit stated in their comments that although rectification in accounts had been done by reversing accounting transactions, detailed investigation into how mistake occurred had not yet been finalized. *A report on this subject would be submitted in the next compliance by Accounts Office.*

1830. *Grant No. 140—Development expenditure of Ministry of Commerce (Page 106-AA) (para 157, page 90-PAC Report 1979-80).*—The Committee did not make any observation on this paragraph which was dropped.

1831. (*Para 158, page 91-PAC Report 1979-80*).—The Committee had previously desired that Government should take a decision about the ownership of the Tobacco Research Building. In compliance, the Ministry informed the Committee that the matter was under the active consideration of the Government. The decision would be communicated to the PAC as and when arrived at.

1832. *The Committee directed the departmental representative that a decision about the matter should be taken immediately.*

1833. *Loss of Rs. 156,250 due to imprudent amendment in agreement for export of rice* (*Para 14, page 20-ARCA*) (*Paras 160—162, pages 91—92-PAC Report 1979-80*).—The Committee after going through the departmental replies decided to drop these paragraphs.

1834. *Loss of Rs. 2,104,679 on account of damage to rice* (*Para 15, page 21-ARCA*) (*Paras 163—165, page 92-PAC Report 1979-80*).—The Committee after going through the departmental reply and Audit Comments did not make any observation on the above paragraphs.

1835. *Infructuous expenditure on a plot for storage godown Rs. 179,539* (*Para-16, page 22-ARCA*) (*Paras 166—171, page 94-PAC Report 1979-80*).—Previously, the Committee had observed that the pace of developing cotton storage capacity was too slow. It stepping up would be justified, as heavy losses were caused by weather fire etc.

1836. In compliance, the Ministry explained that the observations of the PAC had been noted. The Corporation had taken various steps to improve the Cotton Storage capacity, as described below :—

(i) Arrangement were being made for the construction of modren Cotton Storage Godowns at Korangi, Karachi. Out of 30 Godowns, 20 Godowns had been completed.

(ii) A Cotton godown had been purchased at Multan with a storage capacity of about one hundred thousand bales.

(iii) There is a plan for the construction of additional Cotton Godowns at Multan and allotment of a plot of land has been agreed by the Industrial Estate.

1837. The above mentioned godowns are expected to completed and put into use expeditiously.

1838. *In view of the above explanation, the Committee directed that a report should be furnished to the Committee about the present overall position of Cotton storage under the Cotton Export Corporation of Pakistan Limited. The report should include future plans as well as the comprative cost of constructing/hiring ware-houses for cotton.*

Pakistan Tobacco Board.

Advances for purchase of conveyance (Para 212, page 119-ARCA) (Paras 172—174, pages 94-95-PAC Report 1979-80).—

Pakistan Insurance Corporation.

Reserve on account of assets in former East Pakistan (Para 650, page 161-PAC Report 1977-78) (Paras 175-176, page 95-PAC Report 1979-80).—

National Insurance Corporation.

Sundry Debtors (Paras 651-652, page 192-PAC Report 1979-80).—

Trade Debtors (Paras 657—661, page 163-PAC Report 1977-78 (page 96-PAC Report 1979-80).—

State Life Insurance Corporation of Pakistan (Paras 180-181, page 96-PAC Report 1979-80).—

1839. The Committee after going through the departmental replies and Audit Comments decided to drop the above paragraphs.

1840. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other points and paragraphs in the Appropriation Commercial Accounts for 1981-82 and the Auditor-General's Report thereon; and on the Compliance Brief on the PAC Report for 1979-80. These would be deemed as settled subject to such regularisation actions as may be necessary under the rules.

1841. *General for Audit department compliance.—After discussion, the Committee directed that Audit should furnish a report to the PAC on the compliance of its various Directives, given to the Audit Department while examining the Accounts for the last 10 years.*

M. A. HAQ,
Secretary.

Islamabad, the 15*th December*, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 31st August, 1986

Thirteenth Sitting (PAC)

*860. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. .. *Chairman.*

(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(4) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(5) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(6) Malik Said Khan Mahsud, M.N.A. .. .. .. *Member.*

(7) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. M.A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

(7) Mr. Iftikhar Ali Khan Raja, Director General, (A&A Works).

Ministry of Finance :

(1) Mr. S.M. Badrul Hassan, Deputy Secretary (Budget).

(2) Mr. S.M. Hassan, FA (Commerce).

861. *Accounts examined.*—Accounts pertaining to the Ministry of Commerce were examined by the Committee during the course of the day.

*Paragraphs upto 859 pertain to other Ministries/Divisions.

MINISTRY OF COMMERCE

862. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Commerce. The following departmental representative were present :—

(1) Mr. Mumtaz Abdullah, Additional Secretary.

(2) Mr. Marghoob Ahmed, Joint Secretary.

(3) Mr. Abdur Rashid, Deputy Secretary (F&A).

(4) Mr. S.M. Mutta, (CCI&E).

(5) Mr. M.G. Hasan, Finance Director (RECP).

(6) Mr. S.M.A. Ashraf, Chairman (PIC&SCIC).

(7) Syed M.A. Wasti, D.G. (Export Promotion Bureau).

(8) Mr. Islam Bahadur, Chairman, Pakistan Tobacco Board.

(9) Mr. Abid Hussain, Chairman (CEC).

(10) Mr. Mahmud Hashmi, Executive Director (NIC).

(11) Mr. M. Jalilullah, Registrar Trade Marks.

(12) Mr. Nazir Ahmad Jajvi, Executive Director (State Life Insurance).

863. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Commerce	16
2.	Export Promotion	17
3.	Other Expenditure of Ministry of Commerce	18
4.	Development Expenditure of Ministry of Commerce ..	140

864. *Reconciliation of Accounts with Audit.*—The Committee observed with concern that reconciliation work was not being kept upto date and in the case of certain organisations under Ministry the reconciliation of figures with Audit, for the year 1984-85 had not yet been commenced. The Department explained that some of arrears had been cleared and upto date position would be presented to the PAC in its next meeting. The Committee directed the reconciliation should be updated without any further delay.

APPROPRIATION ACCOUNTS

865. *Grant No.* 16—*Ministry of Commerce* (*Page* 132-*AA*).—The Appropriation Accounts showed an excess of Rs. 5,117,686. The Department explained that the total amount of Supplementary Grant as sanctioned by the Ministry of Finance Worked out to Rs. 8,650,100 against which only an amount of Rs. 4,029,000 was printed in the book of Supplementary Grant. The remaining amount of Rs. 4,621,100 had not been taken into account by the Audit while working out the figures of final grant. Thus there was an excess of Rs. 496,586 only. An amount of Rs. 86,049 was less booked by Audit. Similarly there was other discrepancies in the figures of actual expenditure shown by Audit under different objects. Audit observed that the amount of Supplementary Grant not included in the book of Supplementary Grant did not form part of the final grant and would have to be regularised. The figures of expenditure were also reconciled by the Department.

866. The Chairman at this point questioned what was the procedure of sending delegates to the foreign countries. Was there any procedure in vogue to assess the performance of the Commercial Attaches posted in various Embassies ? The Department explained that the delegates *viz.* Ministries| Secretaries were approved by the Prime Minister and below that level were approved by the Ministry. As far performance pertaining to the work of Commercial Attaches, periodical review in respect of each Commercial Attache was carried out and if no progress was visible these offices were closed. The Chairman again observed that the Committee would like to know the numbers of delegation sent out during last few years and the progress made. The Department reported that as for trade delegations, the traders, incur the expenditure themselves but an officer was deputed to accompany such trade delegation with the permission of the Government. Similarly in the case of an international fair, an officer was deputed with the permission of the Government. A Member at this pointed out that Export Promotion Bureau was being contacted by him since last ten years for export of Agricultural Products but without any result. It was explained by a representative of the Department that the function of the Export Promotion Bureau was only to introduce parties. It was upto trades to takecare and finalised their trade transaction with the patries concerned.

867. A Member pointed out that it was generally observed that the Supplementary Grants although sanctioned by the Finance were not printed in the Book of Supplementary Grants. The representative of the Finance thereupon pointed out that Committee had already been formed to look into this problem.

868. The Committee after discussion on the working of the Commercial Attaches and the existing procedure to watch their progress, directed that the

performance report on the working of Councilers|Commercial Attaches should be submitted to the Committee alongwith a list of persons posted at various places and their tenure of office.

869. *Grant No. 17—Export Promotion (Page 139-AA)*.—As per Appropriation Accounts this grant closed with a huge excess of Rs. 547,268,796 which was more than 50 per cent of the final grant of Rs. 949,754,000. The Department reported that this excess was due to rebates being allowed by State Bank and booked to their accounts by A.G.P.R. and that they had not control what so ever over this expenditure. A Supplementary Grant of Rs. 2,717,580 was allowed by the Finance to Export Promotion Bureau, out of which an amount of Rs. 1,048,580 could not be printed in the Book of Supplementary Budget. It was further intimated that figures of Rs. 920,000,000 shown as grant under "transfer payment" was notional. Due to increase of the export of items, increased rebate was allowed during the year as a result of which the actuals were much more than the amount was estimated. Since the exact export figures were available after the close of financial year, the Supplementary Grant could not be asked for during the year. Audit at this point suggested that the Department should demand funds according to the figures of quarterly expenditure. It was the function of the Ministry to see if objects laid out were achieved and it was the primary responsibility of the Principal Accounting officer. The Departmental representative thereupon pointed out that rebates were allowed by the State Bank and booked to their accounts, so they have no control over it. No statements were supplied by State Bank during the year and these were only made available after the close of the year. The Auditor-General again pointed out that the State Bank functions as a disbursing agent and it was Ministry's responsibility to watch the flow on export and rebates allowed as the money was going out of the consolidated funds. Some body must be held responsible for control over the funds.

870. The Committee directed that Ministry should submit performance report showing (i) how many delegations had been sent abroad and the result of their visits since 1982-83 and (ii) how many applications for allowing export quota for textiles received by EPB during the period and how many were entertained with name of the firms.

871. The Committee further observed that it was a fantastic amount of excess and the Department must provide PAC full justification. It was directed that a Committee headed by a Member of the PAC alongwith Finance Secretary, Commerce Secretary, Governor State Bank of Pakistan and Auditor-General of Pakistan should look into the case and furnish a report to the PAC within two months. The Chairman, PAC will determine the terms of reference for the Committee.

872. *Grant No.* 18—*Other Expenditure of Ministry of Commerce* (*Page* 134-*AA*).—This grant closed with an excess of Rs. 48,457. The excess being nominal was recommended by the Committee to be regularised.

873. *Grant No.* 140—*Development Expenditure of Ministry of Commerce* (*Page* 136-*AA*).—There was a saving of Rs. 1,000,000 under this grant. The Department reported that the implementation of the project was delayed due to non-availability of United Nations Development Programme approval. Thus the funds allowed could not be utilised. Audit, however, pointed out, that the amount could have been surrendered before 31st March, 1983.

874. The Committee directed that the details of articles purchased for which an actual expenditure of Rs. 344,000 was incurred under "Object—100—purchased and durable goods" alongwith details of article usually purchased under object—500 may be provided to the Committee.

AUDIT REPORT

875. *Physical Verification of Stores not Conducted* (*Para* 3, *page* 24-*AR*).—As per Audit Report, the physical verification of official property in a Mission abroad, was not conducted during 1975—81. The stock inventory was also not submitted to the Ministry and concerned Accounts Office. The deficiencies thus remained un-noticed. The Department informed the Committee that the Mission had been directed that the required verification should be carried out and verification certificates submitted to the Ministry|Chief Accounts Officer. The PAC directed that the physical verification must be carried out and the compliance duly verified by Audit should be furnished to the Committee within two months.

COMMERCIAL ACCOUNTS

Rice Export Corporation of Pakistan

876. *Infructuous Expenditure of Rs.* 3.088 *Million on Switching over from Construction of House Type to Bini-Shells-Type Godowns* (*Para* 7, *page* 20-*ARCA*).—According to the Audit Report, the NESPAK was contracted to carry out planning, designing and supervision of house type godowns and an amount of Rs. 3.088 million was paid by the Corporation for such work done. The scheme was later on abandoned and instead construction of Bini-Shells-Type godowns was undertaken. Thus the expenditure of Rs. 3.088 million became infructuous. The Department in reply stated that the work had already been completed by NESPAK when the change in design was decided by the Government in April, 1979.

877. On a query from the Chairman, the departmental representative explained that it was a fact that the approval of the ECNEC was not obtained before allowing the contract to NESPAK. It was at planning stage and no such

approval was necessary. It was within the competency of the Department to spend an amount upto Rs. 3 million without going to the ECNEC. It was further explained that the ECNEC consider the projects when PC-I was completed and PC-I cannot be completed without plans and designs having been prepared. In this case basic data was collected, engineering planning was to be made and Rs. 3 million was paid to the NESPAK for such investigations.

878. The Committee conveyed its displeasure and directed that the fact of the case should be reverified to see if payment to the NESPAK made on account of planning, designing and supervision of the construction of godowns was in order and the report submitted to the Committee through Audit.

Trading Corporation of Pakistan

879. *Loss of Rs. 1,743 Million on Import of Caustic Soda due to Defective Packing (Para 8, page 21-ARCA).*—Audit pointed out that Soda Caustic valuing Rs. 15.989 million imported by T.C.P. in April, 1981 remained undisposed till October, 1981. It was later on sold for Rs. 14.246 million resulting in a loss of Rs. 1.743 million. The loss was due to delay in disposal and due to damaged condition of the cargo attributed to defective packing as per Survey Report. The Department explained that the Soda Caustic of Romanian origin was lying at Singapore and was imported in order to meet acute shortage of Soda Caustic in the country. The survey party investigated the cargo and allowed the unloading of ship after issuing a certificate. It was subsequently found that the certificate was incorrect. There were pits and holes in the drums and the contents were effected and thus the Corporation had filed a suit in the High Court.

880. The Chairman PAC observed that this loss might be due to negligence of some body, some where. The names of all those responsible involved should be listed.

881. The Committee directed that the names of persons responsible should be furnished and departmental action should be taken. A report should also be submitted to the PAC before next meeting. The Committee further directed that the Ministry should furnish performance of TCP to the PAC. The paragraph was deferred.

Pakistan Tobacco Board

882. *Physical Verification of Assets by Public Sector Organisation [Para 52 (i) and (ii), page 52-ARCA]*.—Audit pointed out that the physical verification of the assets was not done. The Management, however informed that it was done on yearly basis. This according to Audit was also not correct. The Committee directed that the physical verification should be completed and the paragraph was settled.

883. *Non-recovery of Interest* (*Para 74, page 75-ARCA*).—According to the Audit Report there was an excess of income over expenditure amounting to Rs. 5.652 million and included Tobacco Board share of Rs. 0.635 million accrued but not realised. Audit however, pointed out during the meeting that an amount of Rs. 1,893,179 was recoverable from M|s. Souvenier Tobacco Company, Karachi. Principal amount had since been recovered but the interest accrued had not yet been recovered. The Departmental representative informed the Committee that the case was the court. The Committee did not make any observation on it.

Rice Export Corporation of Pakistan Limited

884. *Non-clearance on Sundry Creditors* (*Para 80, page 77-ARCA*).—As per Audit Report, Sundry Creditors as on 30th June, 1982 stood at 32.7 million which included Rs. 0.66 million being time barred cheques of National Bank of Pakistan. The Department explained to the PAC that an amount of Rs. 0.662 million had since been written off and an amount of Rs. 27.83 million forming part of the balance of Sundry Creditors had been adjusted. The paragraph was settled.

885. *Bank Reconciliation* (*Para 81, page 77-ARCA*).—Audit pointed out that a debit of Rs. 9 million lying un-supported from 1979-80 indicated that effective bank reconciliation had not been undertaken by the Corporation for a long time. The Department reported that there were more than 300 procurement centres and always it took some time to get the supporting documents. The Committee directed that the reconciliation should be completed and result reported to PAC.

State Life Insurance Corporation of Pakistan

886. *Increase in Renewal Expenses* (*Para 86, page 79-ARCA*).—Audit observed that the renewal expenses should not exceed 15 per cent of the renewal premimum under the Insurance Rules 1956. Renewal expenses, however, were 24.6 per cent during 1982 as against 28 per cent in 1981. The Department reported that the Insurance Corporation did not change the rates which were fixed in 1956. Premium rates were reduced in 1972 where as the expenditure increased. Since it was violation of Rules, a case will be made out to get the rates increased. The Committee directed that the existing law may be changed to accommodate increase in percentage of renewal expenditure.

887. *Sundry Debtors* (*Para 89, page 79-ARCA*).—Audit observed that there were Sundry Debtors of Rs. 21.738 million as on 31st December, 1982 against which provision of Rs. 7.177 million was made for doubtful debts. The

detailed analysis alongwith aging was, however, not prepared. The Department promised to take up write off action. The PAC observed that it should be done after a detailed analysis alongwith aging had been prepared.

888. *Delay in Disposal of Audit Inspection Reports* (*Para* 54, *page* 60-*ARCA*).—According to the Audit Report five Audit Inspection Reports of Rice Export Corporation, Pakistan Insurance Corporation and Trading Corporation of Pakistan were awaiting reply. The Committee observed that the disposal should be expedited and the Ministry should be careful in future.

889. *Other Issues.*—The Committee while discussing the accounts of National Petro Carbon Limited was informed that the protection was not provided by the Ministry of Commerce to Carbon Black Industry of the country, as a result of which it was facing hard competition from foreign manufacturers. It was observed by the Committee that the Ministry of Commerce should examine the question. The Ministry explained that the "Carbon Black" was not brought on negative list as a policy matter.

890. The Chairman observed it might be the negative list was prepared when we were not producing carbon black. The unit was under difficulties, we cannot deny that our carbon black was of international standard and why we want to close it down? Some thing must be done to protect it by raising regulatory duty which at the present was 120 per cent in India. On a further question the Committee was informed that the 95 per cent of our imports were on free list and import licences were issued within 48 hours of the date of receipt of application.

891. The Committee directed that it may be informed about the mechanism used by the Ministry of Commerce for volving import and export policy. Discretionary powers of each officer may also be reported to the PAC.

892. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points/paras in the Appropriation Accounts, Audit Reports Civil and Commercial Accounts thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 17*th February*, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 1st April, 1987

Twelfth Sitting (PAC)

*702. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present:—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Malik Said Khan Mahsud, Minister of State for Water and Power .. .. *Member.*

(3) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(4) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. Muhammad Aslam, Deputy Secretary.

(2) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

(7) Mr. S. M. Najmul Arfin, Deputy Director, Commercial Audit.

Ministry of Finance :

(1) Mr. S. M. Hasan, FA (Commerce).

(2) Mr. I. A. Saeed, Acting DFA (Commerce).

Planning and Development Division :

Dr. M. A. Aghai, Director General (Project Wing).

703. *Accounts Examined.*—Accounts pertaining to the Ministry of Commerce were examined by the Committee during the course of the day.

*Paragraphs upto 701 pertain to other Ministries/Divisions.

MINISTRY OF COMMERCE

704. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Commerce. The following departmental representatives were present :—

(1) Mr. Mukhtar Masood, Secretary.

(2) Mian Mumtaz Abdullah, Additional Secretary.

(3) Mr. Abdul Rashid, Deputy Secretary (F&A).

(4) Mr. Nasir Ali Shah, Chairman (RECP).

(5) Mr. R. A. Akhund, Chairman (CECP).

(6) Mr. M. G. Hasan, Chairman (PIC).

(7) Mr. M. A. M. Siddiqui, Chairman (State Life Insurance Corp.).

(8) Syed Habib Hussain, Chairman (TCP).

(9) Mr. S. M. A. Ashraf, Vice-Chairman (Export Promotion Bureau).

(10 Mr. Jalilullah, Registrar (Trade Marks Registry).

(11) Mr. Islam Bahadur Khan, Chairman (Pakistan Tobacco Board).

(12) Mr. S. M. Mattu, Chief Controller of Imports and Exports.

705. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Garnt No.
	1983-84	
1.	Ministry of Commerce	16
2.	Export Promotion	17
3.	Other Expenditure of Ministry of Commerce	18
	1984-85	
1.	Ministry of Commerce	16
2.	Export Promotion .. —	17
3.	Other Expenditure of Ministry of Commerce	18
4.	Development Expenditure of Ministry of Commerce ..	141

APPROPRIATION ACCOUNTS (1983-84)

706. *Grant No.* 16—*Ministry of Commerce* (*Page* 146-*AA*).—There was a saving of Rs. 204,399 under this grant, which being within permissible limits, the Committee did not make any observation.

707. *Grant No.* 17—*Export Promotion* (*Page* 152-*AA*).—This grant closed with a saving of Rs. 129,245,719. The saving was mainly due to less compensatory rebate. The Department reported that it was due to declining trend of exports during the year. The department explained that he had little to do with maintaining and reconciliation of Accounts of compensatory rebates. This was being operated by the State Bank of Pakistan. Audit representative at this point observed that some body was to be held responsible for the grant and that it was the Ministry or Organisation which gets the grant. The Department, however, intimated that the State Bank was asked to give Accounts which were not provided in spite of remainders issued by Ministry of Commerce.

708. The Chairman PAC observed that reasons of delay in submission of Rebate Accounts by State Bank should be checked up. The Department reported that it was also not possible to estimate correctly the amount of rebate as generally there were heavy fluctuation in export estimates. Audit suggested that same sort of 'Stabilisation Fund' could be created if it was considered that fluctuation could not be avoided.

709. The Committee directed that Finance may check up reasons for delay in submission of rebate accounts by State Bank of Pakistan in spite of reminders by Ministry of Commerce. A report in the matter may be submitted to PAC. The Committee formed under an earlier directive should meet soon to settle the affairs. The proposal of creation of 'Stabilisation Fund' should also be examined by the said Committee.

710. *Grant No.* 18—*Other Expenditure of Ministry of Commerce* (*Page* 164-*AA*).—There was a saving of Rs. 165,056,155 under this grant. The Department explained that provision of Rs. 165 million made in the budget for re-imbursment of losses to Cotton Export Corporation could not be utilized as the Corporation earned a profit. An amount of Rs. 165 million was surrendered. The Committee accepted that explanation and directed that the Division should exercise an effective control on its budgeting.

APPROPRIATION ACCOUNTS (1984-85)

711. *Grant No.* 16—*Ministry of Commerce* (*Page* 158-*AA*).—The Grant closed with a saving of Rs. 745,179. The saving being within permissible limits, the Committee did not make any observation.

712. *Grant No. 17—Export Promotion* (*Page* 164-*AA*).—There was a saving of Rs. 169,406,366. The Department explained that this was again due to payment of less rebate on Cotton Textile Exports. The Committee observed that the directive under grant No. 17 for the year 1983-84 equally applies in this case.

713. *Grant No. 18—Other Expenditure of Ministry of Commerce* (*Page* 166-*AA*).—The saving in this case was Rs. 35,073, and the Committee did not make any observation.

714. *Grant No. 141—Development Expenditure of Ministry of Commerce* (*Page* 169-*AA*).—This grant closed with a saving of full amount of Final Grant of Rs. 15,500,000. The Department reported that the allocation was to be financed from UNDPs which could not be made available during the year. Thus local allocation could not also be utilized. The Committee observed that funds should have been surrendered in time.

AUDIT REPORT (1983-84)

715. *Recoveries of Pay and Allowances etc., not effected Rs.* 378,223 (*Para* 1, *page* 44-*AR*).—Audit pointed cut that in the Commercial Wings of 10 Missions Abroad, over-payments aggregating to Rs. 378,223 were pointed out by Audit during the period 1975—83, but the recoveries of over-payments were not made. Audit further informed that an amount of Rs. 127,750 could only be recovered so far. The remaining amount was still recoverable. The Department explaintd that in this case a change in system was required. There were 38 posts of officers abroad. Officers of different Departments were posted in Commerce Wing. The Ministry of Commerce had no control for recovery of such amounts. The recoveries pertaining to 1972 were pointed out in 1982. Payments were made with the Authority of C.A.O. Something was required to be done to bring a change in the whole system. The Committee directed that recoveries should be made, and got verified by Audit.

AUDIT REPORT (1984-85)

716. *Recoveries not effected Rs.* 111,415 (*Para* 1, *page* 44-*AR*).—Audit pointed out that officials posted abroad were over-paid to the extent of Rs. 111,415 on account of overdrawal of foreign allowance, utility charges etc., out of which only Rs. 9,372 had been recovered and balance recoveries had not been made by the Department so far. The Department intimated that it was along process to recover these amounts. In certain cases these would have to be written off. The Committee observed that recovery or write off action should be expedited and got verified by Audit.

COMMERCIAL AUDIT REPORT (1983-84)

Rice Export Corporation of Pakistan

717. *Irregular Payment of Rs.* 171,397 *to Paddy husking units* (*Para* 7, *page* 22-*ARCA*).—According to Audit Report, Pakistan National Produce Company Limited a subsidy of Rice Export Corporation engaged five paddy husking units during 1980-81 for husking of paddy procured. According to the agreement the Company was to supply bags to the husking units. The subsidy paid was 40 per cent of husking charges amounting to Rs. 171,397 to the shellers as compensation for short supply of 92,149 bags, though there was no penalty clause in the contract. The Department informed the Committee that this was a bad case. The decision was, however, taken in good faith. Actually there was no over-payment involved, as such no recovery was involved.

718. The Committee observed that the loss occurred due to a defective agreement and directed that Secretary Commerce should take necessary action to ensure that such lapses were avoided.

COMMERCIAL AUDIT REPORT (1984-85)

719. *Loss of about Rs.* 4.2 *million due to supply of sub-standard Rice* (*Para* 8, *page* 23-*ARCA*).—Audit in their report pointed out that in January, 1982 the Rice Export Corporation of Pakistan supplied 15,00 metric tons of Basmati Rice to a party in Saudi Arabia. On a complaint from the buyer about the quality, the Corporation, after negotiation, replaced 500 tons (against 800 tons demanded) valuing about Rs. 4.2 million free of cost. In an enquiry after two years it was founded that the damage was caused by sea water for want of proper protection in the vessel but the Management held the view that replacement of 500 tons of rice was merely to maintain good relations with the Customers. The Department explained that Board of Directors took this decision. It was not regular for a Public Sector Organisation to use its full powers without getting approval from the Government as a large amount was involved. Since the supply contract was for FOB, it was not required to be insured by the Department. The Department could hold another enquiry. The Committee after a detailed discussion on the subject directed that a case should be registered with FIA against those responsible and report submitted to PAC within one month.

COMMERCIAL AUDIT REPORT (1983-84)

Rice Export Corporation of Pakistan

720. *Working Results* (*Para* 72, *page* 89-*ARCA*).—Audit pointed out that the Corporation earned operating profit of Rs. 516,308 million during 1982-83 as against Rs. 1127.934 million in 1981-82. The abnormal reduction was mainly

due to less exports as a result of fall in prices in world market and also due to increase in cost of sales and other expenses. The Department explained that there had been increase in operating profit since then. The Committee was not satisfied with the affairs and desired that exports should be increased.

721. *Sundry Debtors (Para 74, page 90-ARCA).*—Audit held that sundry debtors, amounting to Rs. 119.296 million including Rs. 6.004 million on account of Deposits of octroi charges were outstanding since 1979-80. The Department informed the Committee that recoveries had been made and some recoveries were in process. The Committee settled the paragraph subject to verification by Audit.

722. *Sundry Advances (Para 75, page 90-ARCA).*—Audit pointed out that Sundry Advances of Rs. 21.005 million, which included operational advances of Rs. 7.576 million were outstanding in the accounts of the Organisation as on 30th June, 1983. Advances valuing Rs. 2.448 million were more than six years old. Effective steps were not taken to recover these advances. The Department reported to the Committee that the balance of outstandings was now Rs. 45,000 only. The Committee settled the paragraph subject to verification by Audit.

Trading Corporation of Pakistan

723. *Loss of Rs. 2.257 million on improper procurement of mangoes (Para 8, pages 22 and 23-ARCA).*—Audit pointed out that TCP incurred an expenditure of Rs. 5.169 million on export of mangoes. An amount of Rs. 2.912 million could only be realised out of it, resulting in a loss of Rs. 2.257 million. The loss was caused due to lack of planning in procurement of managoes and due to non-coordination of purchases with exports. The Department explained that this was a first attempt and that Corporation was deceived by fake customers. The case was already under inquiry with Prime Minister Inspection Team and a report was awaited. The Committee desired that the report of Prime Minister Inspections Team should be submitted to PAC within one month.

Special Points

724. The Committee then handed over a list of following serious irregularities for explanation by the Department, as these were expected to come up before the Committee in the Commercial Report for 1985-86.

(1) *Butter Oil.*—Loss of Rs. 10.28 million imported in 1983 for Ministry of Industries which failed to lift the same and ultimately sold at much below purchase price.

(2) *Jute Bags.*—Loss of Rs. 7.79 million and unjustified payment of Commission of Rs. 0.384 million—imported from Bangladesh in 1985. RECP's tender was for local purchase but TCP on wrong advance of Consultants imported the same. Delay in import|supply caused payment of liquidated damages of Rs. 7.79 million to RECEP.

(3) *Chick Peas.*—Loss of Rs. 4.830 million—imported in 1982-83 for PASSCO without any Bank guarantee|performance bond. PASSCO did not lift the consignment which was ultimately sold at a loss of Rs. 4.830 million.

(4) *M. S. Billets.*—Blockage of Rs. 93.95 million—imported for Metropolitan Steel Corporation and Hashoo Steel without obtaining Bank guarantee. Both the parties did not lift the billets. Resultantly Rs. 93.95 million were blocked.

(5) *Unproductive Investment.*—Rs. 70.394 million—In Finance and Trade Centre Karachi by acquiring 50 per cent more space than required and at a very exorbitant rate.

(6) *Urea.*—Extra-expenditure of Rs. 1.41 million—exported to Bangladesh. Expenditure caused due to higher rate of commission paid to Agent although no business was obtained by him.

(7) Construction of a pre-fabricated pavilion in Pakistan International Trade Fair Karachi, 1984 costing about Rs. one million without proper know how. Resultantly incurred substantial loss on its sale below cost.

(8) Loss of more than Rs. 4 million on participating in Trade Fairs and Exhibitions in foreign countries on account of heavy expenditure and much less realisation of sale proceeds during 1983-84.

(9) Import of Brown Sugar.

(10) *Kinnos.*—Loss of Rs. 0.600 million—worth Rs. 3.741 million exported in 1983-84 could fetch sale proceeds of Rs. 3.251 million as owing to bad planning of safe despatch, Kinnos costing Rs. 0.751 million damaged in transit. Further Rs. 0.110 million incurred on despatch of a large quantity of 3410 Kgs. samples. Thus loss of Rs. 0.600 million sustained by T.C.P.

725. The Department in their preliminary reply to the Committee explained one or two cases at random. While taking about " Brown Sugar ", it was reported that report of FIA on the subject had already been received by the Department.

The Committee desired that the Department should come prepared for discussion on the points in the next meeting and directed that :—

(i) A copy of FIA report on Brown Sugar may be sent to PAC.

(ii) Whenever important documents were required to be sent to FIA or any other Department, either a photocopy be sent or a photocopy must be retained.

726. *Books Debts amounting to Rs.* 38.423 *million* (*Para* 82, *page* 93-*ARCA*).—Audit observed that against Book debts amounting to Rs. 38.423 million, which included an amount of Rs. 16.706 million recoverable from leading firms exporting to Bangladesh/Sri Lanka no confirmation of balances was available. The Department explained that balance had been reduced. Audit, however, held that no doubt an amount of Rs. 14.5 million had been recovered out of Rs. 16.70 million, but the balance was still increasing. The Department explained that position had improved. The Ministry requested for time to prepare the case for PAC.

Cotton Export Corporation of Pakistan

727. *Operating Results* (*Para* 61, *page* 81-*ARCA*).—Audit pointed out that Corporation sustained operating loss of Rs. 15 million but earned pre-tax profit of Rs. 46 million in 1983-84 as compared to Rs. 77 million in 1982-83. The decrease in profit was mainly due to lesser sales and increase in Admn. Expenses. The Committee observed that initiative was lacking in the Managerial controls. This should be developed. The Committee decided to further discuss the working of this Corporation alongwith the Accounts for 1985-86.

728. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts, Audit Report and Commercial Accounts thereon. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

K. M. CHIMA,
Secretary.

Islamabad, the 18*th July*, 1987.

Annexure 'C'

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 26th March, 1986

Eighteenth Sitting (PAC)

*2894. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad to continue examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, Member, National Assembly	*Chairman.*
(2) Sardar Aseff Ahmed Ali, Member, National Assembly ..	*Member.*
(3) Ch. Muhammad Sarwar Khan, Member, National Assembly	*Member.*
(4) Rai Arif Hussain, Member, National Assembly ..	*Member.*
(5) Mr. Shahabuddin Shah Hussain, Member, National Asssembly	*Member.*
(6) Mr. Miangul Aurangzeb, Member National Assembly ..	*Member.*
(7) Shahzada Jam Muhammad Yousuf, Member, National Assembly	*Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.
(2) Ch. Abdul Qadir, Joint Secretary.
(3) Mr. Muhammad Aslam, Deputy Secretary.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
(4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
(5) Mr. Muhammad Saleem Siddiqui, Accountant General, Pakistan Revenues and Director General of Audit, Defence Services.
(6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.
(7) Raja Muhammad Saleem Khan, Director, Foreign Audit.

Ministry of Finance :

(1) Mr. Tanwir Ali Agha, Deputy Secretary (Budget).
(2) Mr. Zulfiqar Khan, F.A. (Military Finance).
(3) Mr. Roshan Ali Mangi, F.A. (Pakistan Navy).
(4) Mr. Muhammad Ashraf, AFA (Military Finance).

*Paragraphs upto 2893 and 2895 to 2915 pertain to other Ministries/Divisions.

DEFENCE DIVISION

2916. After completing the examination of the Compliance Report of the Defence Production Division for the year 1979-80, the Committee took up for its consideration, the compliance Report 1979-80 and the Appropriation Accounts etc. pertaining to the Defence Division for the year 1981-82. The following departmental representatives were present :—

(1) Syed Ijlal Haider Zaidi, Secretary.

(2) Mr. Javed Talat, Joint Secretary.

(3) Mr. S.M.N. Ahsan, Deputy Secretary (General).

(4) Mr. Asharf Baig, Section Officer (PAC).

(5) Mr. Ibnul Hassan, M.A.G.

(6) Brig. Ejaz Ahmed, DPP&A (GHQ).

(7) Rear Admiral A.H. Khan, DCNS (P).

(8) Air Vice Marshal, M. Akhtar, DCAS (Admn).

(9) Mr. Kishwar Khan, Additional Dircetor (ML&C).

(10) Mr. Ashfaq Ahmed, S.E. (E-in-C Branch).

(11) Maj. General Anis Ali Syed, (SGP).

(12) Mr. Mohammad Aslam, Comdt. (NLI).

(13) Lt. Col. Syed Asad Abbas Zaidi, AA&QMG (FWO).

2917. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Defence (Function 111 only)	29
2.	Survey of Pakistan	31
3.	Development Expenditure of Ministry of Defence (except Function 387 Meteorology)	146
4.	Capital Outlay on Civil Aviation and other works of Ministry of Defence (Function 586—Residential Building only)	177

2918. *Reconciliation of Accounts with Audit.—The PAC directed that the reconciliation work which was not up-to-date, should be completed and the statement duly verified by Audit in the prescribed form should be submitted to the PAC in its meeting.*

COMPLIANCE REPORT 1979-80

2919. *Expenditure on 216 Married Airmen Quarters—Rs. 3,425,426-PAF (Paras 1725—1727, page 446—PAC Report 1979-80).*—Audit had pointed out that an expenditure of Rs. 3,425,426 was incurred in excess of sanction and had not been regularised. The work was carried out at the risk and cost of another contractor from whom recovery was not made.

2920. The PAC on 13-3-1983 had directed that MAG should report to PAC with full facts about the recovery from the defaulting contractor and also state whether any earnest money was taken.

2921. The Department explained that an amount of Rs. 30,000 was lying as security with the department. The amount could not be adjusted against recovery as the contractor had approached the court and the case was sub-judice. A Government Pleader had, however, been appointed to initiate recovery proceedings.

2922. It was observed, by the Chairman that it was more than 12 years old case wherein heavy amount of recovery was involved. If Audit observations were dealt with expeditiously such situation would not have arisen. There appeared to be some flaw in the procedures. Since the department had its own Internal Control System also some thing should be done to check it.

2923. *The PAC directed that the department may set up a committee including a representative of Justice Division, to review the procedure for making it m ore effective.*

2924. *External Sewerage System—Rs. 3,035,245 (Paras 1750-1751, page 451-PAC Report 1979-80).*—In its earlier directive the PAC wanted to know if the Escalation Award was in accordance with the instructions of Government. According to the Department the payment of Award was only made and actually there was no overpayment.

2925. Audit representative stated that Rs. 3 Million escalation was paid, whereas Rs. 1.5 Million out of this was not admissible to the contractor. A complete report had not so far been received. *The paragraph was deferred by the P.A.C.*

2926. *Demurrage and Wharfage Charges, Rs. 79,332—Army (Paras 1773—1775, page 454-PAC Report 1979-80).—The PAC deferred the paragraphs as it could not examine the relevant Report.*

2927. *Escalation awards to contractors against CAS mentioned in Appendix 'C (Paras 1780-81, page 455-PAC Report 1979-80)*.—In its earlier directive the Department was directed to supply the copies of Escalation Award to Audit. Audit stated that major awards had been audited and results of their examination included in the Audit Report for 1982-83 which would be examined there by the PAC. They, however, added that such copies were not being supplied as a matter of routine. The Department, however, promised to supply wherever this had not been done.

2928. It was pointed out by the Departmental representative that Audit comments on Ministries replies (statement of replies) were not supplied to the Department in time by the Audit.

2929. The PAC directed that these comments should be supplied well in time and at the most 24 hours before the commencement of the meeting, so that Department could prepare a reply. The paragraph was dropped.

2930. *Extra expenditure of Rs. 990 Million due to short recovery of steel's cost defective planning/execution of works and excessive payments (Paras 1786—1791 pages 456-457-PAC Report 1979-80)* —Audit observed that earlier decision of former PAC was that Secretary Defence should look into the case and report back to the PAC on designing and execution of the project and also on disciplinary action taken against those responsible for default. He was also asked to examine the existing system of execution of works on "Risk and Cost" basis. The department explained in detail the working of 'Risk and Cost' clause.

2931. After discussion the PAC dropped the paragraph subject to verification/ satisfaction by the Secretary Defence whether proper punishment was awarded to the defaulters.

2932. *Construction of underground building in area effected by water seepage causing infructuous expenditure of Rs. 8.85 Million (Paras 1792—1794, pages 457-458-PAC Report 1979-80)*.—Subject to the observation that there should have been better planning the PAC dropped the paragraphs.

2933. *Abandonment of construction of 400 bedded Hospital causing infructuous consultancy charges Rs. 1,818,684 (Paras 1796—1799, pages 458-459-PAC Report 1979-80)*.—The PAC in its earlier directive desired that department should fix responsibility for suitable action for this infructuous expenditure and regularise the expenditure, as the Committee was not satisfied with the explanation. Not agreeing with the stand of the Department that it was not infructuous expenditure, a member remarked that Architect was paid in excess. He should have not been paid more than 1/2%.

2934. *The PAC thereafter agreed to the proposal of the department that a proper court of inquiry might be held in this case to fix responsibility. The paragraph was deferred.*

2935. *Loss of Rs. 1,026 852 due to defective designing of roof (Paras 1800-1801, page 459-PAC Report 1979-80).*—Audit explained that paragraph was settled subject to verification, but no disciplinary action had so far been taken according to their knowledge. The departmental representative explained that a charge sheet had already been served on those responsible.

2936. *The PAC observed that its directions must be complied with in all cases and the information asked for or action required should come forth promptly. The paragraph was deferred.*

2937. *Non-recovery of cost of wooden joinery from a contractor Rs. 18,692 (Paras 1845-1846, page 465-PAC Report 1979-80).*—The department explained that inquiry had been completed and no disciplinary action was involved. As for recovery, attempts were being made to locate the contractor. In case he was not traceable the amount will have to be written off.

2938. The PAC directed that recovery or write off actions should be finalised and the paragraph was dropped, subject to verification by Audit.

2939. *Overpayment due to incorrect application of rates Rs. 17,487 (Paras 1847—1849, page 465-PAC Report 1979-80).*—Subject to verification by Audit, the paragraph was dropped.

2940. *Non-recovery of cost of demolished bricks Rs. 16,650 (Paras 1850—1853, pages 465-466-PAC Report 1979-80).*—The department explained that the disciplinary action had since been completed and recovery proceeding were in progress as the contractor was working in the Army. Subject to verification by Audit, the paragraph was dropped.

2941 *Non-recovery of Rs. 43,540 on account of rent of a leased land (Paras 1887-1889, page 473-PAC Report 1979-80).—It was observed by the PAC that the Accounts of the Defence Housing Society should be subject to audit by the Audit Department and as such these should be audited by the Auditor-General.*

2942. *Extra expenditure due to purchase of stores at higher rates Rs. 1,304,930 (Para 1940, page 480-PAC Report 1979-80).*—Audit pointed out that in this case PAC had issued the directive twice that report of inquiry should be supplied to Audit, but this was not supplied. According to the department this case pertained to 1979. Two officers retired, one was dead and no fraud or misappropriation was involved.

2943. *The PAC directed that a Court of Inquiry should go into this and a report furnished to Audit. The paragraph was deferred.*

2944. *Non-recovery of rent and electricity charges of more than Rs. 124,261 from a commercially run Cinema (Para 1942, page 480-PAC Report 1979-80).*— After deliberations the PAC directed that action may be finalized and report supplied to Audit. The paragraph was dropped.

2945. Replies of following paras were under verification by Audit. These Paragraphs would, therefore, be treated as settled subject to Audit verification :—

Para No. of PAC Report 1979-80	Page No. of PAC Report 1979-80
1	2
1721	445
1722-1724	446
1731-1732	447
1735-1736	448
1737-1738	448
1739—1741	448
1752—1755	451
1804-1805	459-460
1806-1807	460
1808	460
1809	460
1811	460
1813	461
1814-1815	461
1816	461
1817	461
1818—1822	461-462
1828—1831	463

1	2
1832—1834	463-464
1838	464
1839	464
1842	464-465
1857	466
1858	466
1869-1870	470-471
1919-1920	477
1871-1872	471
1873	471
1879-1880	472
1883	472
1885	473
1889—1902	464-475
1910—1912	477
1919-1920	477
1921—1923	477
1924-1925	477-478
1926	478
1935	479
1936—1939	479-480
1947	481

APPROPRIATION ACCOUNTS (CIVIL)

1. *Grant No. 29—Ministry of Defence (Page 284-AA).*
2. *Grant No. 31—Survey of Pakistan (Page 308-AA).*
3. *Grant No. 146—Development Expenditure of Ministry of Defence (Page 890-AA).*

4. *Grant No. 177—Capital outlay on Civil Aviation and Other Works of Ministry of Defence (Page 300-AA).*

2946. The Committee did not make any observation on the above grants.

AUDIT REPORT (CIVIL)

2947. *Non-recovery of Rs 1,272,444 (Para 4, pages 54-55-AR).*—Audit pointed out that pace of recovery was slow. The Department promised to finalize it. *The P.A.C. directed that the recovery might be finalized and got verified by Audit.*

2948. *Irregular expenditure of Rs. 1,224,642 (Para 5, page 55-AR).*—The paragraph was dropped subject to verification by Audit.

2949. *T.A. Advances of Rs. 881,089 not Adjusted (Para 8, page 56-AR).*—The paragraph was dropped subject to adjustment of advance, and verification by Audit.

AUDIT REPORT (DEFENCE SERVICES)

2950. *Non-recovery of risk and cost money from defaulting contractors Rs. 2,197,674 (Chapter-II) [Para 1(i), page 2-ARDS].*—It had been pointed out by Audit that the works were got executed at Risk and Cost and a total amount of Rs. 1,691,462 remained recoverable since 1973 to 1978. The recovery had been delayed. Explaining the position the Department stated that proceedings of recovery were in progress. Ministry of Law had been approached where necessary.

2951. The Chairman took a serious view of non-recovery and the delay and stated that there appeared to be some deliberated delay in referring the case to Law Division in 1985 or there were something wrong with the procedure. Audit had its own limitations and check only one months Accounts during a year. There might be many cases of this nature. The department should initiate action immediately as when the matters were delayed, doubts and suspicions arose. Moreover, it created bad name for the department when such things were published in the press. The PAC was also required to report such matters to the House.

2952. *The PAC directed that Ministry should take necessary steps and streamline their procedure to ensure that proper action was taken at appropriate time. The cases in the courts should be expedited. Justice Division may also be consulted to know how such cases could be expedited. The paragraph was deferred.*

2953. *Non-recovery of Rs. 452,892 [Para 1(ii), page 2-ARDS].*—It was remarked by the Chairman that this was again a case of recovery of "Risk and Cost" charges where recovery had not been made since last ten year. The Department explained that in absence of Arbitration clause the case had been moved in a Court of Laws.

2954. *The PAC directed that the cases pending in court should be got expedited in consultation with Justice Division. The paragraph was deferred.*

2955. *Non-recover of Rs. 43,324* [*Para 1(iii) page 3, ARDS*].—The Department explained that as the whereabouts of contractor were not know, the amount had been written off. The paragraph was dropped by the PAC. Subject to verification by Audit.

2956. *Non-recovery of Government dues from final payments made to a contractor-Rs. 167,255 (Para 2, page 3-ARDS).—It was directed by the PAC that present position of the court of inquiry be communicated to the PAC. The paragraph was deferred.*

2957. *Demolition of works already done, due to delayed alternations in designs etc. Rs. 1,031,090* [*Para 3(i) & (ii), page 3-ARDS*].—(i) The department explained that the work had to be abandoned due to a dispute in double allotment of plot on which the building was constructed. On a query from the Chairman it was stated that the Building had been demolished at a further cost of Rs. 11,000. The PAC directed the Department that full details of the case be furnished and the paragraph was deferred.

(ii) It had been pointed out by the Audit that an expenditure of Rs. 237,205 was incurred on demolishing and replacement of Engineering Structures due to change in design, which resulted in a considerable loss. The Department explained that a loss statement was prepared to regularise infructuous expenditure on this Accounts.

2958. *Having not satisfied with the explanation of the Department, the PAC directed that full facts alongwith justification for changing the design subsequently be furnished to PAC. The paragraph was deferred.*

2959. *Acceptance of Defective Supplies—Rs. 607,000 (Para 4, page 4-ARDS).*—Audit had pointed out that a contractor supplied defective furniture as part supply of his contract. The defects were removed at a cost of Rs. 352,320. The balance furniture was obtained from another contractor, at an additional cost of Rs. 254,655. Recovery of total amount of Rs. 607,000 was due which was not made.

2960. According to Department the action could not be finalized as the contractor had taken the matter to the Court of Law for appointment of an arbitrator and the arbitration proceedings were in progress.

2961. The Chairman stated that the case pertained to 1976. The Departmental inquiry should have been done also and action taken againts defaulters.

2962. *The PAC directed that the Department should examine, the case, as there should have been provision in the supply contract requiring the contractor to rectify defeats before payments were made to him. Reasons for non-initiating case against defaulting officials may also be reported to PAC. The paragraph was deferred.*

2963. *Avoidable extra expenditure in excavation and filling of earth work—Rs. 10,110 (Para 7, page 5-ARDS).*—It was explained by the Department that disciplinary action had been taken and the amount recovered. The paragraph was dropped, subject to verification by Audit.

2964. *Less recovery of water charges from non-entitled consumers Rs. 32,700 (Para 9, page 9-ARDS).*—The department stated that recovery had since been made and no disciplinary action was required. The paragraph was dropped by the PAC subject to verification by Audit.

2965. *Overpayment occasioned by incorrect application of rates Rs. 441,000 (Para 10 (vi) (vii), pages 7-8-ARDS).*—The PAC directed that the matter pertaining to incorrect application of rates of Cement Concrete, and "Light points" may be referred to E-in-C's Branch and clarification sought. The sub-paragraphs were settled subject to verification by Audit.

2966. [*Para 10 (viii), page 8-ARDS (Rs. 18,088)*] —The departmental representative informed the Committee that the amount had been recovered. The sub-paragraph was dropped subject to verification by Audit.

2967. *Miscellaneous overpayment on works Rs. 113,010 [Para 11 (i), page 9-ARDS]*.—The paragraph was settled subject to verification of recovery by Audit.

2968. *Non-devaluation of below specification work Rs. 114,050 (Para 12, page 9-ARDS).*—The matter regarding star rate, may be referred to E-in-C's Branch for clarification. The paragraph was settled, subject to verification by Audit.

2969. *Excess credit on materials issued Rs. 47,034 (Para 13, page 10-ARDS).*—The department explained that a court of inquiry was held, which decided that Rs. 16,000 would be paid by Executive Engineer and Rs. 8,000 by S.D.O., which has been recovered. The paragraph was dropped subject to verification of recovery by Audit.

2970. *Testing cost of sewerage equipment-Rs. 12,055 (Para 21, page 13-ARDS).*—Subject to verification by Audit, the paragraph was dropped.

2971. *Irregular re-classification of empty bags-Rs. 595,272 (Para 23, page 10-ARDS).*—After some deliberations the Department admitted that the bags were used and not unserviceable. The cost had been recovered. Subject to verification by Audit, the PAC dropped the paragraph.

2972. *Defective medical equipment Rs. 236,66 (Para 20, page 01-ARDS).*—The Department explained that the defects have been removed by the supplier in August, 1983, and the Machinery was working alright, as reported by the Hospital Authority. The paragraph was settled, subject to verification by Audit.

2973. *Overpayment of rent of hired Bungalow—Rs. 26,400 (Para 29, page 17 ARDS).*—The PAC directed that outstanding recovery should be made and the recovery already made be got verified from Audit. The paragraph was settled subject to verification by Audit.

2974. *Un-authorised use of Government accommodation as play-way pursery—Rs. 11,335 (Para 30, page 17-ARDS).*—The paragraph was dropped subject to verification by Audit.

2975. *Loss of 41,811 gallons of petrol M.S. 74—Rs. 418,100 (Para 33, page 18-ARDS).*—The paragraph was settled, subject to verification by Audit.

2976. *Misappropriation of diesel oil worth—Rs. 30,310 (Para 30, page 19-ARDS).*—The paragraph was settled, subject to verification by Audit.

2977. *Loss of stores in transit—Rs. 64,460 (Para 36, page 19-ARDS).*—It was stated by the Department that out of 20 cases of losses, 16 cases had been settled and the remaining were being sorted out. The paragraph was dropped subject to verification by Audit.

2978. *Replies under verification.*—Replies to the following paras were under verification by Audit. These would be reported back to the Committee after verification if necessary.

Para No. of Audit Report	Page No. of Audit Report
1	2
Audit Report Defence Services	
5	4
6	5
8	6
10 (iv)	7
10 (v)	7
10 (ix)	8
10 (x)	8

1	2
11 (ii)	9
11 (iii)	9
14	11
15	11
22	14
26	15-16
61	33
62	33-34
Commercial Appendix, Defence Services	
37	17

PERFORMANCE AUDIT REPORTS ON—

(i) RECARPETTING PAF BASE MIANWALI AND

(ii) GUJRANWALA CANTONMENT PROJECT.

2979. The Auditor-General initiating the discussion on the above reports, stated that the idea behind these performance studies was to make an independent evaluation of the management efficiency, and not to point out any specific irregularities. The two reports were then discussed and after listening to the point of view of Executive Ministry, the Committee desired that the Executive Authorities should try to improve their planning and execution of projects.

2980. *Extended Role of Audit.*—The Committee observed that the audit of the expenditure of Defence Services carried out by the Auditor-General of Pakistan was limited to certain specific fields. As such it was not possible for the PAC to evaluate and examine the programme of the Defence Division in its entirely. The Committee desired that Secretary, Defence Division and the Auditor-General should examine this question and come up with proposals as to how the audit can be extended to cover the whole expenditure of Ministry of Defence. The Secretary, Defence Division assured the Committee that they had no objection to the idea in principles and they will provide all possible assistance to the Auditor-General in this regard.

2981. *Points not discussed to be treated as settled.*—The PAC did not make any observation on other points/paragraph of Compliance Reports on the PAC Report 1979-80 and the Audit Reports etc. 1981-82. These would be deemed to have been settled subject to such regularisation action or recovery as may be necessary under the rules.

2982. The Committee then adjourned to meet again at 9.00 a.m. on Thursday the 27th March, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 8th September, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 2nd September, 1986

Fifteenth Sitting (PAC)

*1010. The Public Accounts Committee assembled at 9.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A.	.. ..	*Chairman.*
(2) Sardar Aseff Ahmed, Ali, M.N.A.	.. .. ..	*Member.*
(3) Rai Arif Hussain, M.N.A.	.. .. ..	*Member.*
(4) Ch. Muhammad Sarwar Khan, M.N.A.	.. ..	*Member.*
(5) Mr. Shahabuddin Shah Hussainy, M.N.A.	.. ..	*Member.*
(6) Nawab Muhammad Yamin Khan, M.N.A.	.. ..	*Member.*
(7) Malik Said Khan Mahsud, M.N.A.	.. .. ..	*Member.*
(8) Shahzada Jam Muhammad Yusuf, M.N.A.	.. ..	*Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.
(2) Ch. Abdul Qadir, Joint Secretary.
(3) Mr. Muhammad Aslam, Deputy Secretary.
(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
(2) Syed Iftikhar Shabbir, Deputy Auditor General (Co-ord).
(3) Mr. A. A. Zaidi, Deputy Auditor General (A&R).
(4) Shaikh Muhammad Sadiq, Accountant General Pakistan Revenues.
(5) Mr. M. Saleem Siddiqui, Director-General, Defence Audit.

Ministry of Finance :

(1) Mr. Masood Ahmed, Deputy Secretary.
(2) Mr. Muhammad Hanif Malik, F.A. (Budget), Military Finance.
(3) Mr. Salim Bahadur Khan, FA (Air Force), Military Finance.
(4) Mr. Zafar Ahmad, Acting FA (Army), Military Finance.
(5) Mr. Zulfiqar Khan, FA (Navy), Military Finance.

1011. *Accounts examined.*—Accounts pertaining to the Defence Division were examined by the Committee during the course of the day.

*Paragraphs upto 1009 pertain to other Ministries/Divisions.

DEFENCE DIVISION

1012. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Defence Division. The following departmental representatives were present :—

(1) Syed Ijlal Haider Zaidi, Secretary.

(2) Mr. A. V. M. Saeed A. Ansari, Additional Secretary-II.

(3) Mrs. Saira Karim, Deputy Secretary (Budget).

(4) Mr. Ashraf Baig, Section Officer (PAC).

(5) Mr. Shah Muhammad, F&AO.

(6) Mr. Ibnul Hasan, Military Accountant General.

(7) Brig. Ejaz Ahmad, DPP&A (GHQ).

(8) Rear Admiral Akbar Hussain Khan, DCNS (P) N.H.Q.

(9) Air Cdre, Farrukh Hussain, CE (PAF).

(10) Mr. Kishwar Khan, ADML&C.

(11) Brig. Nazir Ahmad, Deputy E-in-C.

(12) Major General Anis Ali Syed, Surveyor General of Pakistan.

(13) Col. Muhammad Aslam, Comdt NLI Centre and Records.

1013. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Defence (Function 111 only)	29
2.	Survey of Pakistan	31
3.	Development Expenditure of Ministry of Defence (Except Function 387 Meterology)	144
4.	Capital Outlay on Civil Aviation and other works of Ministry of Defence (Function 586-Residential Building only)	176

APPROPRIATION ACCOUNTS (CIVIL)

1014. *Grant No.* 29—*Ministry of Defence* (*Pages* 201-202-*AA*).—The Grant closed with a net excess of Rs. 17,123,668 which worked out to 17 per cent of the Final Grant. The gross excess after excluding economy cut of Rs. 6,900,000 worked out to Rs. 10,223,668 which was about 10 per cent. The Department in their reply explained that the demand of the Ministry was not met in full by the

Finance, and excess was mainly under pay and allowances, which were obligatory charges and could not be deferred. The Finance should not have deferred this demand. Then again an expenditure of Rs. 95 million was booked by Audit against Northern Light Infantary Regiment, whereas actual expenditure was Rs. 82.717 million only. Audit pointed out that expenditure was not reconciled. The Committee directed that reconciliation should invariably be carried out well in time. The excess was recommended for regularisation.

1015. *Grant No.* 144—*Development Expenditure of Ministry of Defence* (*Page* 206-*AA*).—This Grant closed with a net saving of Rs. 841,484. The Committee did not make any observation over it.

1016. *Grant No.* 31—*Survey of Pakistan* (*Page* 218-*AA*).—Appropriation Accounts showed a net excess of Rs. 1,606,605, which was about 3 per cent of the Final Grant. The Committee accepted the explanation of the Department and recommended the excess for regularisation.

AUDIT REPORT (CIVIL)

1017. *T.A. Advances not adjusted Rs.* 350,318 (*Para 2, page* 27-*AR*).—Audit pointed out that during the period 1975 to 1981, five officials of the Defence Wing of a mission abroad were allowed T.A. Advances of Rs. 350,318, which were neither adjusted, nor recovered as required under the rules. The Department informed the Committee that records were destroyed due to closure of Defence Wing in 1979. The case was, however, under active action with the Ministry. The Committee dropped the paragraph subject to verification of recovery|write-off by Audit.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

1018. *Grant No.* 33—*Defence Services* (*Page* 3-*AADS*).—There was an excess of Rs. 305,508,238 under this Grant. The actual expenditure, however did not include an expenditure of Rs. 115,858,814 incurred from "Service Deposit Accounts". Audit pointed out that excess was required to be investigated and desired that Ministry of Finance should check up, if they were approached for any supplementary grant to cover this excess. The Department explained that excess was mainly due to increase in pensions of Defence personnel, abolition of Foreign Exchange parity rates and general inflation in prices. Audit, however, held that this excess should have been foreseen. The Committee directed that the Ministry to supply a 'Note' to the PAC on the Service Deposit Accounts|Equalization Fund bring maintained by the Ministry. The Committee also directed that Finance may be asked at appropriate level to satisfy be citing facts and figures and to report. The report may be submitted to PAC through Audit.

AUDIT REPORT (DEFENCE SERVICES)

1019. *Unjustified Escalation Awards* (*Paras* 1—8, *pages* 3—7-*ARDS*).—The above Audit Paras pertaining to overpayment of escalation were considered by the Committee collectively. The departmental representative informed that these eight paragraphs involved an amount of Rs. 68 million. Audit held that these were cases of over-payment for which recovery was to be made. The Department explained that the Government wanted to save construction industry from destruction and as such sanctioned escalation. Engineer-in-Charge was authorised to allow escalation in accordance with the formula approved by the Government. An amount of Rs. 64 million had been held under objection against a total amount of Rs. 68 million paid on this account. Interpretation of Audit was not correct wherein the quantities of work done had been objected to and arbitrary reductions were made in other cases. Audit held that it was their duty to see, that Government liability was determined in accordance with Government Rules and Audit had evidence that their interpretation was accepted. No guidelines in addition to instructions on the subject issued by the Government, were laid by the Engineer-in-charge. Two different formulas were applied by the Department in two similar cases.

1020. The Committee held discussion on the subject and showed its displeasure over the manner in which the matter was handled. Instructions should be issued to all concerned to be careful while dealing in financial matters. The Committee further directed that these paras should be discussed by the Secretary Defence with the Secretary Finance on his return from abroad. There should be uniform policy for deciding escalation to the contractors.

1021. *Uneconomical Carriage of Cement Rs*. 2,604,700 (*Para* 13, *page* 9-*ARDS*).—Audit pointed out that the P.A.F. carried Cement by road from various Factories to Sargodha which was uneconomical as compared with the similar carriage charges paid by Army. This involved an extra expenditure of Rs. 2,604,700 which required regularisation. The Department explained that the amount covered 7 contracts of carriage made during 4 years. The cement was carried by road "per force" as Railway was not providing Wagons for the purpose. The Committee accepted the explanation and dropped the paragraph.

1022. *Local Purchase of Steel Bars at exorbitent rate*—*Rs*. 636,500 (*Para* 14, *page* 10-*ARDS*).—According to the Audit Report uneconomical purchases of steel bars were made by P.A.F. from local dealers, resulting in extra expenditure of Rs. 636,500 which was required to be regularised. The Department in reply stated that M|s. PECO, Ittifaq and M|s. Shazad were sent tender inquiry before purchase of the material from local dealers. Their terms were not acceptable as

PECO required 50 per cent advance which was not acceptable. The Committee after hearing the explanation of the Department directed that the Department should be careful in future. The paragraph was settled.

1023. *Non-recovery of Risk and Cost amounts from the defaulters Rs.* 3,462,500 (*Para* 15, *page* 10-*ARDS*).—Audit in their observation pointed out that an amount of Rs. 3,462,500 recoverable from the contractors on account of risk and cost charges was not recovered. The Department intimated to the Committee that the amount had since been recovered leaving a balance of Rs. 48,000 only. Audit, however, pointed out that an amount of Rs. 0.92 million was still recoverable. The Committee dropped the paragraph subject to verification of recovery by Audit.

1024. *Short recovery of Rolling Charges Rs.* 410,000 (*Para* 26, *page* 17-*ARDS*).—In this case, Audit observed that the work of consolidation of various surfaces by mechanical roller was done below the specification. This involved a recovery of Rs. 409,900 which was not made. The Department explained that the contractor had challenged the case in the Court of Law and had taken the stand that a power roller was also working simultaniously, as such consolidation was all right. The Committee settled the paragraph subject to verification by Audit.

1025. *Overpayment to contractor Rs.* 125,340 (*Para* 33, *page* 21-*ARDS*).—Audit in this case again pointed out that work was done below specification and the contractor was paid full rate this resulted in overpayment of Rs. 125,340, which had not been recovered from him. The Department held that the Audit had worked out the position on the basis of Bituman issued by the Department. A quantity of 300 Tons was required against which 250 Tons were issued by the Department and 50 Tons were arranged by the contractor himself. A total quantity of 508 Tons was required against which a quantity of 400 Tons were issued but excessive recovery of 108 Tons was made. The Committee directed that the position as explained was not clear. The Department should reconcile and recheck it which should be got verified from Audit through the Principal Accounting Officer.

1026. *Undue benefit due to un-authorised issue of Cement to Contractor Rs.* 10,344 (*Para* 40, *page* 23-*ARDS*).—According to Audit Cement worth Rs. 10,344 was allowed as wastage in contravention of contractual provisions. The Committee after going through the explanation of the Department, dropped the paragraph.

1027. *Irregular Employment of Casual Labour—Rs.* 148,000 (*Para* 41, *page* 23-*ARDS*).—Audit pointed out that in violation of Government instructions, casual labour was employed and charged to an officer other than in which they were employed. This resulted in irregular expenditure of Rs. 147.696 in 1982. The Department intimated to the Committee that labour was employed on casual basis and regularisation action was in hand. In future steps had to be taken to avoid such expenditure. The Committee directed that the Department should be careful in future and ensure that such cases should not appear in the report again. The paragraph was dropped.

1028. *Loss due to non-acceptance of lower rates in a contract Rs.* 331,600 (*Para* 47, *page* 26-*ARDS*).—According to the Audit Report in an Army formation tenders were called 9 times for supply of Potatoes during the period 1st July, 1974 to 31st December, 1974. All the rates received were cancelled being higher. Subsequently a contract was concluded at the rate which was higher than the previous lowest tendered rate. This resulted in a loss of Rs. 331,600. The Department explained that the case pertained to the year 1974. All attempts were made fo put supply to tender and retender to reduce the rates but the rates continued to rise. The Committee was not completely satisfied with the explanation of the Department and directed that this para would be considered by he Committee when the Secretary, Ministry of Finance would be present alongwith paras 1 to 8 above.

1029. *Loss due to irregular classification of stores—Rs.* 64,000 (*Para* 49, *page* 28-*ARDS*).—Audit held that in an Ordinance Depot 10,836 batteries out of 21,000 despatched by the contractor during 1980-81 under different consignments, were found unserviceable. The discrepancy report was not accepted by the consignor. The loss was regularised which was irregular and against the rules. The Department initiated to the Committee that these were dry batteries. Out of 3 cases, 2 were imported and in one case these were locally manufactured. The Department had to keep a stock of reserved batteries and if these expired during storage, these were thrown out like medicines. Audit thereupon pointed out that normal life of batteries was 12 months, and those declared serviceable also could not be used for 7 months. The Department reported that they would look into such cases. The rates at which the material was purchased were very low. The Committee directed that the procedures of purchases was required to be looked into by the Secretary. The Department should inquire into the case, and report if the stores were not unnecessarily procured and their life expired before their use.

1030. *Non-recovery of cost of P.O.L. issued to OBMS—Rs.* 57,500 (*Para* 50, *page* 28-*ARDS*).—Audit pointed out that certain boats owned by an Army Unit were used for entertainment of general public by sale of tickets. The proceeds were not, however, deposited with the Government. The Department stated that these boats were used for training programme and not for entertainment and recreation. The PAC directed that the expenditure be regularised.

1031. *Outstanding ground rent against various parties—Rs.* 8 *million* (*Para* 56, *page* 31-*ARDS*).—As per Audit Report, recoveries of ground rent and premium charges were not being made regularly by the Military Estate Office. Consequently an amount of Rs. 7,985,140 was outstanding for the period 1977—82. The Department intimated that the amounts were being recovered and committed that the amount will not be written off. The Commitee directed that recovery should be made and got verified from Audit.

Commercial Appendix

1032. *Review of the Working of Military Dairy Farms.* (*Paras* 30 *to* 33, *pages* 13-14-*A.R. Commercial Appendix*).—The Committee discussed annual trading results of the Military Farms for the period ending June, 1983. The Department reported to the Committee that the position was improving. Small losses as reflected in the Accounts during the period 1980-81, 82 and 83, were there but they had taken measures during the year 1984-85 and earned a profit of Rs. 18.2 million. The Committee appreciated the attempts made and observed that due to increasing sale price of the dairy products, the Department would continue to maintain this position.

1033. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points|paras in the Appropriation Accounts, Audit Reports (Civil and Defence) and Commercial Appendix thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

1034. The Committee then adjourned to meet again at 9.00 a.m. on Wednesday, the 3rd September, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 9th March, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 6th April, 1987

Fifteenth Sitting (PAC)

*868. The Public Accounts Committee assembled at 9.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Malik Said Khan Mahsud, Minister of State for Water and Power .. .. *Member.*

(3) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(4) Mr. Miangul Aurangzeb, M.N.A. .. .. . *Member.*

(5) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. Muhammad Aslam, Deputy Secretary.

(2) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(6) Mr. Ahmed Nawab Qureshi, Director General, Commercial Audit.

(7) Mr. M. Saleem Siddiqui, Director General, Defence Audit.

Ministry of Finance :

(1) Mr. Ainuddin FA (Navy).

(2) Mr. Salim Bahadur Khan, FA (PAF).

(3) Syed Shaukat Hussain, FA (Army).

(4) Mr. Muhammad Hanif Malik, FA (Budget)

Planning and Development Division :

Mr. Muhammad Yunus Siddiqui, Deputy Chief, (I&C)

*Paragraphs upto 867 and 869 to 875 pertain to other Ministries/Divisions.

DEFENCE DIVISION

876. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Defence Division for 1983-84. The following departmental representatives were present :—

(1) Syed Ijlal Haider Zaidi, Secretary.

(2) Mr. Jalees Ahmad Siddiqui, Joint Secretary.

(3) Mrs. Saira Karim, Deputy Secretary (Budget).

(4) Mr. Ibnul Hasan, (MAG).

(5) Col. Bashir Husain, Deputy DPP&A (Army).

(6) Brig. Nazir Hussain, DW&CE (Army).

(7) Commodore S. W. Haider, SI (M) DCNS (P) (Navy).

(8) Commodore Salahud-din, DW&CE (Navy).

(9) AVM Hakimullah, DCAS (A) Air Headquarters.

(10) Major General Anis Ali Syed (Surveyor General of Pakistan).

(11) Col. M. Alam, Commandent (NLI) Centre.

(12) Brig. Muhammad Sharif, DP&W (En-in-C Branch).

(13) Lt. Col. Abdul Ghafoor, GSO-I (ISI Directorate).

877. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Defence (Function III only)	29
2.	Survey of Pakistan	31
3.	Development Expenditure of Ministry of Defence (Except Function 387 Meterology)	142
4.	Capital Outlay on Civil Aviation and other Works of Ministry of Defence (Function 586-Residential Building only)	173

878. *Reconciliation of Accounts with Audit.*—Audit reported to the Committee that the reconciliation of figures under Code No. 111 of Demand No. 29 for 1984-85 and 1985-86 was in arrears. Similarly reconciliation of Code 387 of Demand No. 144 for the year 1985-86 was also not complete. As for reconciliation for the year 1986-87, in certain cases it had not been started as yet, and in others it was in arrears after 12|86. The Committee took a serious view of the position and directed that reconciliation should be updated without further delay and Department should ensure that there should be no arrears when next Accounts of the Department will be examined by the Committee.

APPROPRIATION ACCOUNTS (CIVIL) (1983-84)

879. *Grant No. 29—Ministry of Defence* (*Page* 251-*AA*).—There was an overall excess of Rs. 19,338,751 under this Grant (Rs. 18,019,021 in Defence Division, Rs. 21,707 in Defence Production Division and Rs. 1,298,023 in Aviation Division). Audit pointed out that excess of Rs. 17,497,181 was under "Commodities and Services". The Department reported that Demand was curtailed by the Finance and additional funds asked were not allowed. The expenditure was unavoidable. Audit held that when the grant was curtailed, it was essential to keep the expenditure within the grant. The Chairman PAC observed that there was saving in the case of other grants of Defence, why funds could not be re-appropriated? The Department intimated that it came to notice late as such no adjustment was possible. The Committee recommended the excess for regularisation.

880. *Grant No. 31—Survey of Pakistan* (*Page* 258-*AA*).—This grant closed with a saving of Rs. 4,437,929. Audit informed the Committee that the Ministry surrendered an amount of Rs. 9,855,700 in excess of the savings. The Committee did not make any observation over this saving.

881. *Grant No. 142—Development Expenditure of Ministry of Defence* (*Page* 262-*AA*).—This grant which was jointly controlled by Defence Division and Aviation Division closed with an overall saving of Rs. 33,540,600 (Rs. 23,415,000 for Defence Division and Rs. 10,125,600 for Aviation Division). The Department informed that total amount of Rs. 23,415,000 under Defence Division was utilised on purchase of an Air Craft but was not booked to the final head of account, which resulted in saving. The Committee accepted the explanation but directed that the expenditure should be booked under final head of account.

882. *Grant No. 173—Capital Outlay on Civil Aviation and other Works of Ministry of Defence* (*Page* 266-*AA*).—This grant was also jointly controlled by Defence Division and Aviation Division. There was an overall saving of Rs. 763,737,229 (Rs. 627,470,229 in respect of Defence Division and

Rs. 136,267,000 in respect of Aviation Division). The saving under Defence Division was almost 99 per cent of the final grant. The Department reported that an amount of Rs. 300 Million was spent but the Debits were not booked in the accounts. The remaining amount was not surrendered in time. There was a difference in departmental and audited figures of actual expenditure which required reconciliation. The Committee observed that the figures should be reconeiled. This grant will be considered alongwith the grant for 1984-85 while examining the accounts for 1984-85. The consideration of this grant was deferred.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES) (1983-84)

883. *Grant No. 33—Defence Services (Page 1-AADS)*.—There was an excess of Rs. 149,553,015 under this grant. The Ministry explained that the final figures of actual expenditure came to light after the close of the year and hence could not be regularised. Audit observed that similar situation may arise in subsequent year. The Pay Committee presently proposing increase in salary, such increases always required to be taken care of through Budget.

884. The Committee directed that the Ministry of Finance may improve its Budgetary System so that all increases in Pay and Allowances due to revision of Pay etc. are properly accounted for in the Budget.

AUDIT REPORT (CIVIL) (1983-84)

885. *Un-effected recoveries of Rs.* 1,111,289 (*Para* 1, *page* 48-*AR*).—According to the Audit Report, in 8 missions abroad, 9 cases of recoveries during the period 1973—81 were pointed out. The recoveries were not effected although these were pointed out during the period 1973—81. The Department reported to the Committee that these were old cases of recovery and 25 per cent of the total amount had since been recovered. All out efforts were being made to recover the balance amount.

886. The Committee directed that the recovery so far made should be verified by Audit and the balance amount should be recovered|written off without any further delay.

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

887. *Non-recovery of Rent Rs.* 101,312 (*Para* 34, *page* 6-*Commercial Appendix*).—Audit reported that 1701 Sq. Yds. of a military farm land was rented to Cantonment Board, Multan for an Octori Post @ Rs. 7,236 per annum. Unpaid rent had accumulated to Rs. 101,312 for the period 1970—84. Revision of rent was also due since 1983. The Department explained that the case had been taken up with the Municipal Corporation and all attempts were being

made to recover or to adjust the recoveries against amount due to the Corporation. The matter of revision of rent was also under active consideration. The Committee observed that the recovery action should be finalised early.

AUDIT REPORT (DEFENCE SERVICES) (1983-84)

888. *Over-payment to Contractors and recovery of cost of stores Rs.* 77,580 [*Paras* 1 (*a*), (*b*), (*d*), (*Chapter-II Section-A*) *pages* 2-3-*ARDS*].—Audit in their report pointed out that over-payment of Rs. 26,242 was made in a M.E.S. formation, due to incorrect calculation and non-recovery of cost of stores etc.; another amount of Rs. 15,911 was over paid as a result of error of calculation and yet another amount of Rs. 35,427 was excess paid by taking excess measurements. The recovery of these amounts was not made by the Department. The Department informed the Committee that a part of the over payments had been recovered. The balance was in the course of recovery. In one of the excess payments, the contractor had gone to the Court of Law and the recovery was not presently possible. The Committee settled the paragraph subject to verification of recoveries by Audit.

889. *Short/Non-recovery of cost of stores retained by the Contractors Rs.* 204,811 (*Para* 2-*A*, *page* 5-*ARDS*).—As per Audit Report, the recovery of cost of stores supplied by the Department to the contractor was required to be made at book value or market rate whichever was higher. In certain cases stores were issued to the contractors during 1977-78 and 1979-80. But the recovery was made at rates much less than the rates applicable under the rules, which resulted in short recovery of Rs. 204,811. The Department reported to the Committee that all the amounts had been recovered except small amount which was in the process of recovery. The Committee settled the paragraph subject to verification by Audit.

890. *Short recovery of Rs.* 137,995 (*Para* 2-*G*, *pages* 5-6-*ARDS*).—Audit in this case pointed out that cost of the stores issued to the contractor were incorrectly computed during 1980-81 resulting in short recovery of Rs. 137,995. The Department informed the Committee that the full recovery in this case had since been made. The Committee settled the paragraph subject to verification by Audit.

891. *Over-payment as a result of miscalculations|application of wrong rates Rs.* 79,921 (*Para* 8-*A*, *C*, *E*, *F*, *G*, *pages* 8-9-*ARDS*).—According to the Audit Report, certain contractors in these cases were over paid various amounts by application of incorrect rates for work done and supplies made by them. Payments were made although these were not due, deductions from the bills were made much lesser than what was actually recoverable and incorrect rates were

applied to cost adjustment. The Department informed the Committee that all the recoveries pointed out by Audit had since been made. The paragraph was settled subject to verification by Audit.

892. *Non-deduction of charges from a contract paid by MES to another agency on his behalf Rs.* 20,734 (*Para* 14, *page* 12-*ARDS*).—According to Audit on amount of Rs. 20,734 was paid to a Laboratory for Soil investigation on behalf of a contractor but recovery was not made. The Department reported that full recovery had since been made. The paragraph was settled subject to verification by Audit.

893. *Recovery of Water Charges at lesser rates Rs.* 15,171 (*Para* 17-*B*, *page* 13-*ARDS*).—In a MES Formation, a contractor was charged for water supply at the rate of Rs. 0.62 per 100 Gallons although no meter was installed and water charges were recoverable at higher flat rate. The Department reported that the supply in two cases was metered and the recovery was made according to meter reading. In the 3rd case recovery of Rs. 3,000 was made from the contractor. The paragraph was settled by the Committee subject to verification by Audit.

894. *Infructuous expenditure of Rs.* 782,711 *due to execution of defective work* (*Para* 26, *page* 17-*ARDS*).—Audit pointed out that a contract agreement was concluded by a M.E.S. authority for the construction of new stone|RCC pier for Rs. 782,711. The work was completed in April, 1981. Hardly 2 months after completion of the work, had passes, when high tides on 2nd and 3rd July, 1981 damaged most of the work done which confirmed how much defective work has been done by the contractor. Since the damage was within the maintenance period of one year the contractor was bound to remove the defects and make good the loss. But the totally refused to accept the damages due to the defective work and maintained that the damages were due to an act of God. The contractor also did not care for the notice that damages would be removed at his risk and cost. The executive authorities had, however, referred the matter to their higher authorities whose advice in the matter was reportedly awaited. As higher tides were considered to be normal occurrence on shores, the same cannot be treated as natural disaster. As such necessary action to enforce recovery of Government dues from the contractor need to be expedited besides taking suitable action against those who had accepted the construction work, which was really defective.

895. The Department reported that the contractor was served with a notice but he refused to accept the responsibility. A Court Inquiry was held which reported that no body was responsible, but it was due to abnormal sea action. Audit observed that the action to recover the charges from the contractor was

felt by the Department. The Department promised to hold another inquiry in this case. The Committee directed that the inquiry report in the matter should be submitted to the PAC in due course of time.

896. *Infructuous expenditure of installation of a Tubewell Rs.* 278,617 (*Para* 27, *page* 17-*ARDS*).—According to the Audit Report Rs. 222,000 was sanctioned in May, 1971 by the Government for drilling and installation of a tube well in the premises of a college through a M.E.S. Formation. Bore had not been successful and the expenditure of Rs. 278,617 thus, became infructuous, which was required to be regularised. Subsequently, the same work had been entrusted to another agency, and a sum of Rs. 139,200 had been sanctioned in November, 1978 and amount paid to that agency in December, 1978. The work had not been completed till the date of Audit *i.e.* November, 1979. The finalisation of the regularisation action in the former case and the completion of the project in the later case, had not been intimated to audit although irregularity was pointed out in October, 1979. The Ministry was also informed in August, 1984. The Department informed the Committee that it was an experiment " Boring did not prove successful ". The casing also could not be extracted complete and safe. Such things generally happen where water resources were scare. The Committee accepted the explanation of the Department and dropped the paragraph subject to verification by Audit.

897. *Use of Mechanical Rollers for a period less than that specified Rs.* 143,151 (*Para* 29, *page* 18-*ARDS*).—Audit pointed out that in a road construction work, rolling|consolidation was done for only 87 hours against 2,357 hours required. It warranted recovery of Rs. 143,151 which was pointed out by Audit in 1982 and has not been effected yet. The Committee directed that the recovery should be expedited and verified by Audit.

898. *Over-payment due to incorrect recording of completion certificate for an incomplete work Rs.* 21,000 (*Para* 30, *page* 18-*ARDS*).—According to the Audit Report a contractor was allowed full payments on the basis of completion certificate in 1976. Work was found defective. It was got done at a cost of Rs. 21,000 from another contractor which was recoverable from original contractor. The Department reported that recovery action was in process. The paragraph was settled subject to verification of recovery by Audit.

899. *Over-payment to contractor due to excess accounting of Steel Rs.* 19,500 (*Para* 32, *page* 19-*ARDS*).—According to Audit, a contractor was paid for 26,878 Lbs. Steel in RCC Works against actual consumption of 22,493 Lbs. which resulted in an over-payment of Rs. 19.50. The Department intimated that the matter was under action. The Committee settled the paragraph subject to verification by Audit.

900. *Loss due to deficiency in Stock Rs.* 204,616 (*Para* 39, *page* 21-*ARDS*).—Audit reported that stores valuing Rs. 204,616 were found short in stock during handing|taking over of the charge in 1975. Loss had not been made good todate. The Department stated that in accordance with the recommendation of the Court of Inquiry, the Storeman had been removed from service and the amount had been written off. The paragraph was settled subject to verification of write off action by Audit.

901. *Loss of Drugs costing Rs.* 387,327 (*Para* 48, *page* 25-*ARDS*).—Audit pointed out that in a formation a large quantity of drugs costing thousands of rupees were deteriorated and became unfit for use due to the passage of time causing heavy loss to the State. When pointed out by Audit in June, 1982, it was stated that action to regularise the amount would be taken. The drugs were purchased without taking into account the urgency, necessity and probable requirements. Had the drugs been utilised well in advance keeping in view the expiry dates, the loss of Rs. 387,327 could have been avoided? Reply advanced by the executive was not tenable, as the loss was attributable to defective planning and not due to wear and tear. The matter was reported to the Ministry in December, 1984 but remained unresponded. The Department reported that it was a case of normal wastage. Although the requirement was very carefully assessed but due to 'generic system' and obsolescence such things do happen. The Committee directed that the Department may be careful in assessing its requirements, the paragraph was settled.

902. *Irregular Local Purchase of Electric Bulbs Rs.* 103,484 (*Para* 50, *page* 26-*ARDS*).—According to the Audit a Garrison Engineer purchased bulbs valuing Rs. 98,169 in piecemeal and exceeding his competency of spending Rs. 900 at a time on many occasions during 1980—82. The Department reported to the Committee that in accordance with the existing procedure of local purchase a profit of 10 per cent was allowed to the contractor for purchases of petty items like Bulbs. The Department was looking for revision of system of local purchases. The Committee observed that Department should regulate system of local purchases. The paragraph was settled subject to verification of final action by Audit.

903. *Payment of rent of Government Building to Service Club Rs.* 55,100 (*Para* 56, *page* 27-*ARDS*).—Audit pointed out that in a formation, an amount of Rs. 55,100 was paid to a Service Club which was not government body, as rent of a government building from 1974 to 1983. The recovery of this amount was not made from service club. The Department reported that the service club was constructed on self help basis and no funds were spent by the Government. The audit objection had been referred to the G.H.Q. for decision. The Committee settled the paragraph subject to verification of final action by Audit.

Special Points

904. The following Special Points raised by the Chairman PAC were deferred for consideration in the next meeting :—

(i) Transfer of Land—Taj Mahal Hotal, Karachi.

(ii) Recoveries of D.S.O.P. Funds, Benevolent Fund and Pension Contributions etc. in foreign exchange.

(iii) Pakistan Army Technical Liaison Organisation.

(iv) Supply contract executed by Defence Procurement Mission in U.S.A.

905. *Point not discussed to be treated as settled.*—The Committee did not make any observation on other points in the Appropriation Accounts, Audit Report and Commercial Appendix thereon. These would be deemed as settled, subject to such regularisation actions as may be necessary under the rules.

906. The Committee thereafter adjourned sine die.

K. M. CHIMA,
Secretary.

Islamabad, the 30th September, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 27th July, 1987

Twenty-first Sitting (PAC)

*1151. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Malik Said Khan Mahsud, Minister of State for Water and Power .. .. *Member.*

(3) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(4) Rai Arif Hussain, M.N.A. .. .. *Member.*

(5) Ch. Muhammad Sarwar Khan, MN.A. .. .. *Member.*

(6) Mr. Shahabuddin Shah Hussainy, M.N.A. .. .. *Member.*

(7) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member*

(8) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. K. M. Chima, Secretary.
(2) Ch. Abdul Qadir, Additional Secretary.
(3) Mr. Muhammad Aslam, Deputy Secretary.
(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
(3) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
(5) Mr. Ahmed Nawab Qureshi, Director General (CA).
(6) Mr. Irfan Hussain, Director General (A. A. Works).
(7) Mr. M. Saleem Siddiqui, Director General Defence Audit.

Ministry of Finance and Planning Division :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).
(2) Dr. M. A. Aghai, Director General (Project Wing). Planning Division.
(3) Mr. Muhammad Hanif Malik, FA (Budget).
(4) Mr. Saleem Bahadur Khan, FA (Air Force).
(5) Syed Shaukat Hussain, FA (Army).
(6) Mr. Ainuddin, FA (Navy).

*Paragraphs upto 1150 and 1152 to 1156 pertain to other Ministries/Divisions.

DEFENCE DIVISION

1157 The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Defence Division. The following departmental representatives were present :—

(1) Syed Ijlal Haider Zaidi, Seceretary.

(2) Mr. Jalees Ahmed Siddiqui, Joint Secretary.

(3) Mrs. Saira Karim, Deputy Secretary.

(4) Mr. Manzur Hussain, Section Officer.

(5) Mr. Naseer Ahsan, Acting MAG.

(6) Mr. Wishwar Khan, Additional DML & C.

(7) Brig. Ejaz Ahmed, (DPP&A).

(8) Col. Muhammad Riaz Awan, DDM (F).

(9) Rear Admiral Tasnim, SJ, DCNS (P).

(10) A. V. M. Hakimullah, SJ, DCAS (Admn.).

(11) Brig. Muhammad Sharif, DP&W (E-in-C Branch).

(12) Major General Anis Ali Syed, Surveyor General of Pakistan.

(13) Lt. Col. Abdul Ghafoor, GSO-I (ISI Dte).

1158. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
	1984-85	
1.	Ministry of Defence	29
2.	Survey of Pakistan	32
3.	Defence Services	33
4.	Development Expenditure of Ministry of Defence	145
5.	Capital Outlay on Civil Aviation and other Works of Ministry of Defence	178

APPROPRIATION ACCOUNTS CIVIL 1984-85 (DEFENCE SERVICES)

1159. *Grant No. 29—Ministry of Defence (Defence Division) (Pages 240—245-AA)*.—Against total saving of Rs. 127,207,359, against Defence Division this grant showed a saving of Rs. 91,083,166. The Department explained that there was actually a saving of Rs. 100 million due to non-utilisation of funds allocated for the purchase of Helicopter for Provincial Governors. This saving was, however, reduced due to an excess of Rs. 9.8 million in the case of Northern Light Infantry. The Chairman, PAC observed that there appears to be something wrong with the procedures and lack of budgetary controls, due to which such irregularities were being committed. The Department explained that funds were not provided according to demand. All possible steps were taken to remain within the allocation. The Committee did not make any further observation.

1160. *Grant No, 32—Survey of Pakistan (Pages 251-252-AA)*.—This grant closed with a saving of Rs. 16,419,485 which was surrendered in time.

1161. *Grant No. 33—Defence Services (Page 1-ARDS)*.—This grant closed with an excess of Rs. 115,394,904 which was 0.4 per cent of the Final Grant. The Committee recommended this excess for regularisation through Excess Budget Statement.

1162. *Grant No. 145—Development Expenditure of Ministry of Defence (Defence Division) (Pages 254—256-AA)*.—There was a saving of Rs. 16,341 against the portion representing Defence Division. The Committee did not make any observation.

1163. *Grant No. 178—Capital Outlay on Civil Aviation and other Works of Ministry of Defence (Page 258-AA)*.—The portion of grant of Defence Division closed with a saving of Rs. 2,058,261. The Committee did not make any observation on this saving.

AUDIT REPORT—DEFENCE SERVICES, 1984-85

1164. *Non-recovery of Rent and Allied Charges Rs. 2.4 million (Para 1, page 4-ARDS)*.—According to the Audit Report M|s. Shaheen Foundation installed and operated a unit in a Military Building in 1979 without allotment, re-appropriation by any authority. The rent and allied charges were not paid, which worked out to more than 2.4 million upto 31st December, 1983.

1165. The Department reported to the Committee that this building was lying vacant and was utilised by allowing the Foundation to use it. As for electric charges, it was stated that building was not metered. Meters had now been installed. Chairman, PAC wanted to know under what authority M|s.

Shaheen Foundation were allowed to use this building. The Department admitted that it was irregular and some body was responsible for it. The Committee showed its displeasure and directed that the responsibility for irregularity be fixed. The recovery may be effected, the procedure on the subject may be enforced strictly. The Committee also directed that a general review of all such cases be done to ensure avoidance to such occurances in future. The paragraph was settled subject to verification by Audit.

1166. *Over-payment of Escalation to Work Contractor Rs.* 296,300 (*Para* 2-*A.B.C., page* 5 *and* 6-*ARDS*).—According to Audit, escalation was irregularly paid on the items of the work which were already paid on market rates, on the amounts over paid to the contractor, and on the amounts not due, as it was based on the extension of time limit not due. The Department ment replied that the recovery action and disciplinary action was under process. A recovery of Rs. 68,000 pertaining to Navy Formation had been made. Similarly another amount of Rs. 2,848 had been recovered in the case of a Army Formation. The Committee settled the paragraph, subject to verification of recovery by Audit.

1167. *Non-recovery of Compensation for Delay in Completion of Works, Rs.* 102,800 (*Para* 6-*A, page* 8-*ARDS*).—Audit pointed out that in certain cases, works were shown as completed although these works were not complete which was dues to save the contractors from the recovery of liquidated damages for the delay for which they were responsible. The Department contested Audit point of view and stated that the work was completed on actual date of completion and a portion of work stated to be incomplete was completed in the extended period. The Committee observed that Audit should verify the stand taken by the Department, and settled the paragraph.

1168. *Less recovery of Electricity and Water Charges, Rs,* 2.18 *million* (*Para* 19-*A, B, D, E, F and G Pages* 24, 25, 26 *and* 27-*ARDS*).—Audit in their report pointed out that the recovery rates of water and electricity charges etc. were revised by the Government with effect from 12th May, 1980. The revised rates were, however, not implemented in certain Formations/Units of the Air Force and Army from the date from which these came into force, resulting in a short recovery of Rs. 2.18 million. In one case, water supply by the Military Engineering Services was not charged from the contractor. The Department intimated that Audit point of view had been taken care of and part of recovery had been made and the balance was being recovered. The Committee settled the paragraph, subject to verification of recovery by Audit.

1169. *Non-recovery of Cube Testing Charges from Contractors, Rs.* 126,400 (*Para* 20, *page* 27-*ARDS*).—Audit pointed out that according to a clause of contract, it was the responsibility of the contractors to arrange concrete cube tests at their own expense which expenses were however, not recovered from them when cube testing was arranged by the Department on their behalf. The Department explained that recovery of Rs. 6,860 had since been made and the balance recovery was in process. The Staff who was responsible had been warned. The paragraph was settled, subjected to verification by Audit.

1170. *Over-payment to the Contractor, Rs.* 63,900 (*Para* 27, *page* 31-*ARDS*).—As per Audit, the Military Engineering Service formation paid to a contractor a sum of Rs. 63,904 for transportation of Spoil obtained from excavation at a distance of 15 miles from the site of work, which was not approved by the engineering authority but paid for against the provision of the schedule. The Department reported to the Committee that transportation of Spoil obtained from excavation was approved by the competent authority. The contractor on these grounds had contested the Audit observation. The Committee observed that Audit should verify if action was taken under proper authority and settled the paragraph.

1171. *Unauthorised Payment to a Contractor, Rs.* 134,700 (*Para* 31, *page* 33-*ARDS*).—According to the Audit Report, a contractor, after completion of the job had also prepared his final bill and submitted to the Accounts Authorities for payment. An MES formation added to the said bill a sum of Rs. 134,722 to adjust certain works carried out through an amendment made in his agreement, seven months thereafter, without approval of the competent engineering authority. The Department informed the Committee that in view of the Audit observation the regularisation action was being taken in this case. The Committee directed that the case may be examined a fresh in the light of the Audit observation, the paragraph was deferred.

1172. *Construction of PAFWA Complex out of Public Fund; Rs.* 829,950 (*Para* 33, *page* 36-*ARDS*).—Audit pointed out that PAFWA Complex (which was a private body) was constructed at a station under the name of Trollyes Sheds out of public fund without recovery of any rent and allied charges from PAFWA. The Department reported that PAFWA was a Welfare Organisation for poor but the manner in which this vocational training institute was established was perhaps not correct. The job it was doing was a noble job. A member at this point observed that such personal vims and fancies give had name to the Government. The Department intimated that it had been ordered to be returned to the Department. A member of the PAC wanted an absolute assurance. The Committee showed its displeasure over the matter and directed that the building should be returned to the PAF and the Department must ensure that such cases did not occur again.

1173. *Acquisition of Land for Rs.* 14.04 *million without Government Sanction and Irregular Transfer of Rs.* 24.25 *million to a Personal Account* (*Para* 37, *page*

38-ARDS).—Audit pointed out that out of Rs. 38.3 million allotted by the Government for construction of an Air Field for Army Aviation at a station, a sum of Rs. 14.04 million was spent unauthorisedly for purposes other than specified by the Government and the saving of Rs. 24.25 million was irregularly transferred to the QMG's Personal Ledger Account instead of refund to public fund. The Department reported to the Committee that there was no irregularity in this case. Amount of Rs. 38 million was under a specific grant. The diversion of funds was regular in this case and the Department was authorised to do it. Audit held that the funds obtained for a particular project scheme could not be spent on a project for which no funds were provided. As such the funds on this case could not be transferred. Auditor-General of Pakistan on this point observed that there appears to be some misconception. The point was that of Personal Ledger Account which was opened to operate for Revenue on sale of land. The practice now being followed was highly objectionable and the account was now being operated for all purposes. A member at this point observed that when the funds were not lapseable it became property of the Department.

1174. The Chairman, PAC observed that the whole procedure was required to be studied in detail. The Department reported that a new policy was under preparation and will be announced shortly. A member asked if the remaining land could be sold to the private parties, the representatives of the Department replied in affirmative and promised that the correct position will be reported in the next meeting. The Chairman, PAC at this point wanted to know if the revenue for sale of land could be utilized by Defence, why this was not allowed in the case of other Departments. The Committee directed that the whole matter should be studied afresh and brought out in the next meeting, the paragraph was deferred.

1175. *Irregular Payment of Daily Allowance during Leave Period* Rs. 152,900 (*Para* 41, *page* 41-*ARDS*).—As per Audit, Daily Allowance is admissible only on actual performance of duty and not during leave of any kind. Certain Army Units, however, paid Daily Allowance for Martial Law Duties to their Officers/JCOs/ORs during leave period. The Department held that the matter was examined by the General Headquarters, they uphold that the daily allowance could be paid and reported that there was some anomaly in some cases *viz.* sick leave etc., in those cases the amount was recovered. Audit, however, pointed out that the 1980 Rules are very clear. The Department, however, held that those rules pertain to the Temporary Duty whereas these were cases of prolonged duty. The Committee directed that the recoveries should be verified by Audit and paragraph was settled.

1176. *Irregular Hiring of House Rs.* 23,000 (*Para* 42, *page* 42-*ARDS*).—Audit pointed out that a house was hired/rehired from a retired officer although he had requested the Department not to hired it, and no rent was charged from him for the entire period of this occupation after retirement. The Department reported to the Committee that all possible attempts were being made to recover the amount from the retired officer. The paragraph was settled.

1177. *Points not Discussed to be Treated as Settled.*—The Committee did not make any observation on other points/paragraphs in the Appropriation Accounts, Audit Report and Audit Report Defence Services. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

K. M. CHIMA,
Secretray.

Islamabad, the 24th January, 1988.

Annexure 'D'

FEDERAL COUNCIL SECRETARIAT

Thursday, the 1st November, 1984

Tenth Sitting (PAC)

*1446. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Buildings, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1)	Akhunzada Bahrawar Saeed, Member, Federal Council ..	*Member, (Acting Chairman).*
(2)	Syed Saieed Hasan, Member, Federal Council	*Member.*
(3)	Mir Jam Ghulam Qadir Khan of Lasbela, Federal Council.	*Member.*
(4)	Mr. Abdul Qadir, Former Chairman, Railway Board ..	*Member*

Federal Council Secretariat :

(1) Mr. M. A. Haq, Secretary.
(2) Ch. Abdul Qadir, Joint Secretary.
(3) Mr. Muhammad Aslam, Deputy Secretary.
(4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
(5) Mr. M. A. Lodhi, Accountant General Pakistan Revenues.
(6) Mrs. S. N. Sheikh, Director General, Commercial Audit.
(7) Mr. A. S. Ansari, Director General, Audit Defence Services.
(8) Mr. Iftikhar Ali Khan Raja, Director General, Audit and Accounts Works.

Ministry of Finance :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).
(2) Mr. Muhammad Abuzar, Section Officer.
(3) Group Capt. (Retd.) Ghulam Sarwar, DFA (Defence).

*Paragraphs upto 1445 and 1447 to 1529 pertain to other Ministries/Divisions.

DEFENCE PRODUCTION DIVISION

*1530. The Committee, took up for examination, the Appropriation Accounts, for the year 1981-82 pertaining to the Defence Production Division. The following departmental representatives were present :—

(1) Mr. Abdul Majid Mufti, Secretary.

(2) Mr. Ehsan-ul-Haq, Joint Secretary.

(3) Mr. Talib Hussain, OSD (F&A).

(4) Commander H.I. Kaifi, D.G.D.P. (P.N.)

(5) Col. Muhammad Ishaq, D.G.D.P. (Army).

(6) Mr. Hasan Ehtisham, DCIR and Member POF Board.

(7) Mr. M. Sarwar, M.D. (Wah Industries Ltd).

(8) Mr. M. Afzal, M.D. (POF's Havelian).

(9) Mr. S. Ibnul Hassan, (MAG).

1531. This Division control Grant No. 29—Ministry of Defence (Function 112 only).

1532. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Division was up-to-date.

APPROPRIATION ACCOUNTS (CIVIL)

1533. *Grant No. 29—Ministry of Defence (Pages 284—289-AA).*—There was no material point for consideration by the Committee under this grant.

AUDIT REPORT

1534. *Vouched Accounts not produced U.S. $ 1,065,000 (Para 3, page 55-AR).*—Audit had reported that a sum of U.S. $ 1,065,000 was paid as advance during March and December, 1977 for training purposes by the Defence Wing of a Pakistan Mission abroad. The record of the expenditure actually incurred against the advanced amount and the amount surrendered as unspent balance was not produced for scrutiny.

1535. The Division stated that the factual position was that the expenditure against both the cases in question was duly intimated *vide* letter No. DE-137/75—78/Navy, dated 26-8-1982 as given below :—

(i) Amount advanced Expenditure as shown final bill	$	641,788.54
(ii) Amount refunded		382,017.09
		259,771.45

1536. The Division further explained that subsequently ADP (W) office submitted details of payments and refunds alongwith supporting credit/debit vouchers *vide* letter No. DE-137/75-78/Army, dated 16-6-1983.

1537. A member of the Committee enquired as to where did the figure of U.S. $ 1,065,000 come from ? The Department replied that it denoted an estimated value only whereas the amount actually advanced as was $ 641,788 only. The member further observed that Audit insisted that $ 1,065,000 and not $ 641,788 were paid. First of all this required verification. The department should have satisfied Audit on the point.

1538. The member further drew attention of the departmental representative to the amount of $ 259,771 which was refunded by U.S. Navy which went back to the Embassy account in Washington and enquired as to why the advance given was to much why so larger then the final charge ?

1539. *The Committee, therefore, directed the departmental representative that the Division should convince Audit about the accuracy of its figures and the reasonableness of its original estimate. The paragraph was deferred.*

1540. *Losses sustained in Purchase of Stores U.S. $ 85,067 (Rs. 842,164) (Para 6, page 55-AR).*—According to Audit in the purchase of stores by the Defence Wing of a Mission abroad, losses $ 85,067 (Rs. 842,164) were suffered in four cases during the period 1975—78 on account of damaged, short delivered Cargo, sub-standard consignment etc. One of the cases involving a loss of $ 81,078 was stated to be under adjudication.

1541. Audit further reported that the necessity to investigate and regularise the losses was initially pointed out to the Mission and the Division in December, 1979 but final action still remained to be reported to Audit.

1542. After examining the reply of the Division and the Audit Comments thereon in which the Audit had recommended settlement in most of cases, the Committee decided that subject to satisfaction of Audit the paragraph be dropped.

1543. *Avoidable expenditure of $ 42,954 (Rs. 425,250) (Para 7, page 55-AR).*—Audit had reported that due to the acceptance of stores, the Defence Wing of a Mission abroad had to incur an additional expenditure of Rs. 201,960. In another case, a sum of Rs. 223,290 was paid by the same Mission for storage, packing and handling charges of stores which payment was not covered by the terms of the contract. This in two cases during the years 1975—78 additional expenditure of of U.S. $ 42,954.53 (Rs. 425,250) was incurred.

1544. The explanation given by the Division being acceptable to Audit, the Committee decided to drop the paragraph subject to the verification by Audit of the explanation.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

1545. *POFs (Para 3, page 4-AADS)*.—Internal Audit had pointed out cases continued to occur in which consignees of the Defence Stores had not linked the goods received by them against the particular consignments notified as haring been despatched to them and it was not possible for internal audit to satisfy itself that such consignments had actually been brought to account by the consignee.

1546. The Division explained that there was a gap of 3 to 4 months between the actual receipt of invoices and the receipt of consignment. Piecemeal receipt of consignment also resulted in delay in the clearance of the invoices, for the full consignment. In such cases it took intime to link up the consignments with the shipping documents.

1547. The Committee observed that the Department had cleared many of the items. The paragraph may be treated as settled subject to early clearance of the remaining items and verification by Audit.

Appendix 'A'

CASH LOSSES, OVERPAYMENTS, IRRECOVERABLE CLAIMS ETC., DUE TO OTHER CAUSES :

Losses exceeding Rs. 5,000 in each case

1548. *Waiving of liquidated Damages—Rs. 8,106* [*Sl. No. II* (i) *5, Page 7-AADS*].—After having gone through the explanation of the department the Committee decided to defer the consideration of the paragraph.

1549. *Waiving the liquidated Damages—Rs. 139,487* [*Sl. No. II* (*i*) *6, page 7-AADS*].—The department explained that due to paucity of funds in the financial year 1973-74, the firm was requested to defer the supplies to 30-6-1974. The firm agreed to it and extension in delivery period were also granted to the firm upto 30-6-1974 without liquidated damages. Later on, the firm could not deliver the stores in time and did not make efforts to complete the supplies but tried to get the contracts cancelled without financial repercussions. As the stores were urgently required by the consignee, the contracts were cancelled at the risk and expense of the firm. The stores in question were purchased at higher rates and Rs. 278,974 being risk amount was recovered from the firm. The firm then submitted an appeal to the Secretary of the Division for the waiver of risk amount.

1550. The consolidated case regarding waiver of the risk amount in respect of the four contracts was considered in the Division and an amount of Rs. 139,487, being 50% of the total risk amount of Rs. 278,974, was waived off *vide* Government Letter No. 11/510/80/DP-4/1361/223/DGDP/PC-5, dated 22-3-1982.

1551. In view of the above position stated by the Division the Committee decided to drop the paragraph subject to verification by Audit.

1552. *Waiving of Liquidated Damages—Rs. 138.945 [Sl. No. II(i) 7, page 7-AADS)*.—In view of the facts stated by the department in their detailed reply, the Committee decided to drop the paragraph subject to verification by Audit.

1553. *Waiving of liquidated Damages—Rs. 146,373 [Sl. No. II(i) 8, page 8-AADS]*.—The paragraph was dropped subject to satisfaction of Audit.

1554. *Waiving of Liquidated Damages—Rs. 300,000 [Sl. No. II(i) 9, page 8-AADS]*.—In view of the explanation given by the Division the Committee decided to drop the paragraph subject to verification by Audit.

1555. *Waiving of Liquidated Damages—Rs. 35,420 [Sl. No. II(i) 10, page 8-ARDS]*.—The department informed the Committee that after completion of the contract the firm requested waiver of Liquidated Damages amounting to Rs. 141,680. The case was referred to the Division for consideration. The appeal of the firm was considered sympathetically and 25% (Rs. 35,420) of the Liquidated Damages was waived off *vide* Government letter No. 34403/ DDP/ P-16/11/386/78/DP-4, dated the 14th February, 1982. The Committee, therefore, decided to drop the paragraph.

Waiving of Liquidated Damages-Rs. 41,049 [Sl. No. II(i) 11, page 8-ARDS]

Waiving of liquidated Damages—Rs. 571,974 [Sl. No. II(i) 12, page 8-AADS]

1556. The department stated that the Division waived off the above mentioned Liquidated Damage *vide* their letter No. 71231/D/P-17/11/4/DP-4/P-17, dated 14-12-1981 and letter No. 1342/10/DGDP/PC-3/11/4/74/DP-4, dated 3-12-1981 respectively.

1557. In view of the above position, the Committee decided that the paragraph be dropped.

1558. *Waiving of Liquidated Damages—Rs. 77,792 [Sl. No. II(i) 13, page 8-AADS]*.—The department informed the Committee that the action to waive off Rs. 77,792 was not required to be taken in this case as the amount had already been refunded by or recovered from the firm.

1559. The department further stated that in view of the above, necessary action to get relevant Government letter regarding waiving of Liquidated Damages (Rs. 77,792) was being initiated by the Directorate of Procurement (Army).

1560. In the light of the above position the *the Committee decided that the paragraph may be deferred.*

Waiving of Liquidated Damages (Rs. 80,924) [*Sl. No. II(i) 14, page* 8-AADS].

Waiving of Liquidated Damages—Rs. 25,000 [*Sl. No. II (i) 15, page 8-AADS*].

1561. After having gone through the replies of the Division in respect of the above paragraphs, the Committee decided to drop them.

1562. *Waiving of Liquidated Damages—Rs. 19,265* [*Sl. No. II (i) 16, page 8-AADS*].—In view of the reply of the Division, the Committee decided to drop the paragraph subject to verification by Audit.

Waiving of Liquidated Damages—Rs. 30,526 [*Sl. No. II (i) 17, page 8-AADS*].

Waiving of Liquidated Damages—Rs. 196,132 [*Sl. No. II(i) 18, page 8-AADS*].

1563. In view of the Division's explanation on the above mentioned paragraphs, the Committee dropped the paragraphs.

1564. *Waiving of Liquidated Damages Rs. 17,256* [*Sl. No. II(i) 19, page 8-AADS*].—The Secretary of the Division confered the firm's appeal on merit and approved full waiver of liquidated damages *vide* Government of Pakistan Ministry of Defence (Defence Production Division) letter No. 71302/B/P-17/11/4/74 DP-4, dated 4-11-1981.

1565. In view of the above position, the Committee decided to drop the paragraph subject to verification by Audit.

1566. *Waiving of Liquidated Damages—153,923* [*Sl. No. II(i) 20, page 8-ARDS*].—The department stated that the appeal of the firm for waiver of liquidated damages amounting to Rs. 153,923 was considered and waive granted *vide* Government letter No. 34502/A/DDP/P- 16/11/81/566-DP-4, dated 7-10-1981. In view of the position the Committee decided to drop the paragraph.

1567. *Waiving of Liquidated Damages.—Rs. 32,501* [*Sl. No. II(i) 21, page 8-AADS*].—The reply of the department about the approval of waiver of Rs. 32,501 being 30% of the total amount of liquidated damages of Rs. 108,336., was considered by the Committee as satisfactory and it was decided that paragraph be dropped subject to verification by Audit.

1568. *Waiving of Liquidated Damages—Rs. 50,900* [*Sl. No. II(i) 22, page 8-AADS*].—Secretary of the Division considered the appeal of the firm on merits and sanctioned waiver of Rs. 50,900 being the 75% of the total Liquidated Damages of Rs. 67,800 recovered from the firm. The Committee, therefore, decided to drop the paragraph.

1569. *Waiving of Liquidated Damages—Rs. 1,610,574* [*Sl. No. II(i) 23, page 8-AADS*].—The detailed explanation of the Division was considered by the Committee and it was decided to drop the paragraph subject to verification by Audit.

1570. *Waiving of Liquidated Damages—Rs. 149,298 [Sl. No. (II) (i) 26, page 8-AADS]*.—The facts, as stated by the Division, were that the advance sample was submitted by the firm within 60 days of the receipt of PPs *i.e.* within the maximum of 90 days allowed in the contract. The Inspector took 45 days to approve the advance sample. It was approved on 21-8-1976 and that some charges were effected in design involving additional expenditure. It was considered that the firm did their best to complete the supplies in the minimum possible time and completed supplies successfully. The firm had to resort to extra work but did not claim any increase in rates and as such liquidated damages imposed *viz* Rs. 149,298 were waived off by the competent authority *vide* Government of Pakistan Ministry of Defence letter No. 11/528/81/DP-4, dated 15-2-1982.

1571. In view of the position stated by the department in their above reply, the Committee decided to drop the paragraph subject to verification by Audit.

1572. *Waiving of Liquidated Damages—Rs. 29,635 [Sl. No. II (i) 28, pages 8-AADS]*.—The department explained in their reply that the case was under process. Final reply would be submitted in the next meeting of the Public Accounts Committee The *Committee decided that the paragraph be deferred to the next meeting.*

1573. *Risk Purchases—Rs. 9,785 [Sl. No. II(i) 31, page 8-AADS]*.—The department explained that a contract was placed on M/s. Selomore International Limited Karachi with delivery period as] 10 months after the opening of L.C. which was opened 3rd July, 1974. Later on, the delivery period was extended to 30th June, 1975 and then again to 31st March, 1976. The firm failed to deliver the stores within the extended delivery period. The contract was, therefore, cancelled at the firm's risk and cost on 10th December, 1976. All the three items was repurchased at higher rates at the firm's risk and cost and the total risk money had come to Rs. 9,785 which was ultimately written off under orders of the competent authority.

1574. *The Committee considered the above explanation of the department as Un-satisfactory. The paragraph was, therefore, deferred and the department was directed to furnish a convincing reply for consideration of Audit and the Committee.*

1575. *Risk Purchases—Rs. 57,928 [Sl. No. II(i) 32 page 8-AADS]*.—The Department stated in their reply that the firm supplied 22,855 places out of contracted quantity of 100,000 and the contract for the balance was cancelled at the firm's risk and cost.

1576. An order for the cancelled quantity was placed on the Pakistan Textile and Hosiery Factory, Rawalpindi, at the higher rate of Rs. 4.90 involving extra expenditure of Rs. 108,001 which was recovered by the CMA (DPS) from the defaulting firm. The new supplier supplied only 35.767 pieces and the order for the remaining quantity was cancelled on receipt of reduction demand from the consignee without any financial implication or either side.

1577. The CMA (DPS) had deducted an amount of Rs. 108,001 on account of risk purchase whereas due to cancellation of the order for 41,378 pieces, the actual additional amount paid was only Rs. 50,073.

1578. The case for refund of risk purchase amounting to Rs. 57,927 was referred to the Secretary of the Division who approved the fund *vide* Government of Pakistan, Ministry of Defence Letter No. 46993/E/P-17/4/74/DP-4, dated 1st September, 1981. After going through the above explanation of the department, the Committee decided to drop the paragraph.

1579. *Risk purchases—Rs. 22,650 [Sl. No. II(i) 33, page 8-AADS]*.—In view of the Ministry's explanation *the Committee decided to defer the paragraph till such time that Audit was satisfied. The Division was however asked to expedite the matter.*

Risk Purchases—Rs. 43, 340 [Sl. No. II (i) 34, page 8-AADS]

Risk Purchases—Rs. 65,928 [Sl. No. II(i) 35, page 8-AADS]

1580. The Committee discussed the explanation of Division and decided that the paragraphs till the next meeting.

1581. *Non-affixing of Revenue Stamps on pay bills—Rs. 856,211 [Sl. No. II(i) 41, page 9-AADS]*.—A member of the Committee enquired as to how the department regularise it. The departmental representative informed the Committee that main objection of the Audit was that Government had referred a loss, so the Division wrote off the loss. After discussion, the Committee observed that as Audit was satisfied, the paragraph was dropped.

1582. *Defective manufactured stores destroyed—Rs. 684,022 [Sl. No. II (i), 43, page 9-AADS]*.—In view of the reply of the Division, the Committee decided that as Audit was satisfied the paragraph be dropped.

Appendix 'B'

Loss of stores over Rs. 5,000 due to theft, fraud or neglect (Sl. No. I, page 12-AADS)

Loss of POFs-Ordnance Stores—Rs. 9,884 [Sl. No. I(9), page 12-AADS]

Loss of POFs-Ordnance Stores—Rs. 7,539 [Sl. No. I(10), page 12-AADS]

Loss of POFs-Ordnance Stores—Rs. 8,117 [Sl. No. I (11), page 12-AADS]

Loss of Miscellaneous Stores—Rs. 98,916 [Sl. No. I(17), page 12-AADS]

Losses exceeding Rs. 15,000 due to other causes (Sl. No. II, page 14-AADS)

Loss of POFs-Ordnance Stores—Rs. 146,033 [*Sl. No. II(25), page 14-AADS*]

Loss of POFs-Ordnance Stores—Rs. 289,110 [*Sl. No. II(26), page 14-AADS*]

Loss of POFs-Ordnance Stores—Rs. 34,705 [*Sl. No. II(27), page 14-AADS*]

Loss of POFs-Ordnance Stores—Rs. 50,992 [*Sl. No. II(28), page 14-AADS*]

Loss of POFs-Ordnance Stores—Rs. 75,232 [*Sl. No. II(29), page 14-AADS*]

Loss of Ordnance Stores—Rs. 24,184 [*Sl. No. II (30), page 14-AADS*]

Loss of Ordnance Stores—Rs. 27,006 [*Sl. No. II(31), page 15-AADS*]

Loss of Ordnance Stores—Rs. 32,343 [*Sl. No. II (32), page 15-AADS*]

Loss of Ordnance Stores—Rs. 40,488 [*Sl. No. II (33), page 15-AADS*]

Loss of Ordnance Stores—Rs. 47,525 [*Sl. No. II (34), page 15-AADS*]

Loss of Ordnance Stores—Rs. 28,242 [*Sl. No. II (35), page 15-AADS*]

Loss of Ordnance Stores—Rs. 32,910 [*Sl. No. II (36), page 15-AADS*]

Loss of Ordnance Stores—Rs. 24,221 [*Sl. No. II (37), page 15-AADS*]

Loss of Ordnance Stores—Rs. 17,364 [*Sl. No. II (38), page 15-AADS*]

Loss of Ordnance Stores—Rs. 20,740 [*Sl. No. II (39), page 15-AADS*]

Loss of Ordnance Stores—Rs. 24,501 [*Sl. No. II (40), page 15-AADS*]

Loss of Ordnance Stores—Rs. 16,723 [*Sl. No. II (41), page 15-AADS*]

Loss of Ordnance Stores—Rs. 24,669 [*Sl. No. II (42), page 15-AADS*]

Loss of Ordnance Stores—Rs. 23,743 [*Sl. No. II (43), page 15-AADS*]

Loss of Ordnance Stores—Rs. 18,773 [*Sl. No. II (44), page 15-AADS*]

1583. After examining the facts given in the replies of the Division in respect of the above cases, the Committee observed that all these paragraph pertained to recovery, verification of recovery, writing off and regularisation actions. The Committee accepted the explanations of the department and decided that the paragraphs be treated as settled as necessary verification had been carried out by Audit.

AUDIT REPORT (DEFENCE SERVICES)

1584. *Recovery for sui-gas at flat rate, Loss than actual consumption Rs. 1,380,000 (Para 37, page 20-ARDS).*—Audit had reported that the administrative authority decided in October, 1975 to recovery gas charges at flat rates from the consumers. An MES formation paid Rs. 1,844,641 (as per bulk meter reading) to a gas company from December, 1974 to October, 1981, against which a recovery of Rs. 460,704 was made (on flat rate basis) from the consumers resulting in a loss of Rs. 1,383,937.

1585. The department stated that the recovery of gas charges had been made from the consumers on flat rates approved by the Government of Pakistan, Ministry of Defence (Defence Production Division), Rawalpindi. The difference *viz.* Rs. 1,383,837 was due to fixation of recovery at lower rates from the consumers and also free supply to various offices/accommodation such as :

(i) MES/Projects Directorate Offices.

(ii) MODC Lines.

(iii) HRF Hospital (Dispensary).

(iv) Chinese Mess.

(v) 32 'G' Type houses.

(vi) Officers Club/Mess.

(vii) Consumers entitled to free supply.

(viii) Wastage.

1586. The department further stated that a Board of Officers had, however, been convened for review of rates of recovery from the consumers of HRF Colony and provision of Gas meters in the residential accommodation. Board proceedings had not yet been finalized by HRF authorities. Further action would be taken on finalization of the Board proceedings.

1587. Replying to a query as to how the department calculate the actual consumption, the departmental representative replied that the objection of Audit was that the actual use was not being assessed.

1588. Thereupon, a member of the Committee enquired as to why department did not consider the actual use? The departmental representative submitted that Government had prescribed the flat rates. The member further observed that survey should be made to ascertain actual consumption.

1589. The Audit representative intervened to say that it meant that flat rates should be realistically revised from time to time and enquired when these were revised? The departmental representative replied that the flat rates were revised on 10th September, 1984.

1590. *The Committee observed that the explanation of the departmental representative did not appear to be satisfactory. Actual consumption may be determined and the Public Accounts Committee informed of it alongwith the amount of subsidy. Meters should also, be installed as soon as possible. The paragraph was deferred.*

1591. *Less recovery of water charges from a contractor Rs. 334,511 (Para 38, page 20-ARDS).*—In accordance with the general conditions of a lump sum contract, charges for water supplied by the department were recoverable @31 paisas for every 100 rupees worth of work (if unmetered) or at 62 paisas per 100 gallons (if metered).

1592. Audit reported that an MES formation, however, recovered water charges from the contractor @ 62 paisa per 1000 gallons instead of 62 paisa per 100 gallons resulting in a short recovery of Rs. 334,511 upto 31st December, 1977. After that date no water charges were recovered although the work remained in progress even beyond June, 1980.

1593. In view of the reply of the Division which was acceptable to Audit, the Committee decided that the paragraph be dropped subject to the satisfaction of Audit, as regards facts.

1594. *Less incorporation of materials in below specification works-Rs. 615,281 [Para 39 (i), page 21-ARDS].*—Audit pointed out that in an item of works finally paid on 3rd February, 1980, following irregularities were observed in July, 1982.

(a) The quantity of work shown in the measurement book required incorporation of 2,857 (50 Kg.) cement bags but only 1,800 bags were issued. As a value of the work would however been reduced by Rs. 74,068.

(b) In the work done from 5th November, 1978 to 24th December, 1978, 3,462 (50 kg) cement bags were required to be incorporated against which only 2,200 bags were actually consumed resulting in execution of work below specification involving recovery of Rs. 88,610.

(c) From 24th December, 1978 till finalisation, the work actually executed required consumption of 5,563 (50 kg) bags of cement against which 8,218 bags were issued resulting in an over-issue of 2,655 bags retained by the contractor involving a recovery of Rs. 99,835 at the Stock Book Rate.

1595. Audit further reported that the local engineering authority accepted the above irregularities. The matter was brought to the notice of the Division in October, 1982. The recovery and other actions were still awaited.

1596. After examining the facts given by the Division on the above Audit objection and the Audit comments thereon, *the Committee directed that the department and Audit should get together and settle the matter.*

1597. As far as the cement supply was concerned, *the Committee directed that the department and Audit should discuss and evolve improved procedures of accounting. The paragraph was, therefore, deferred.*

1598. [*Para 39 (ii), page 21-ARDS*].—Audit had reported that the composite rate for supply and fixing 100 lbs. steel reinforcement provided consumption of 117.61 lbs. M.S. round bars. However, in an M.E.S. formation payment at the full composite rate was admitted during 1980-81 in cases where less than 117.61 lbs. of steel bars were consumed without making cost adjustment resulting in overpayment of Rs. 154,274. It was explained by the department that schedule item 280 of MES Schedule of Rates which had been termed as composite rate was not correct. It was not anywhere mentioned that 117.61 Lbs. M.S. round bars would be issued for consumption of 100 lbs. for payment against this item. Actually, Audit had raised the objection purely on assumption based on the analysis schedule item 280 which could not be applied for contract agreements as it had no bearing in any case. Moreover, the M.E.S. schedule of Rates 1975 was pre-audited by the Test Audit before its publication and raising of object ion on analysis of rates at this belated stage when this schedule of rates become inoperative, was quite unjustfied.

1599. Audit replied that they had simply observed that full Rate under item 280 of the Schedule was admissible only when requisite quantity of steel bars were actually used in a work. In fact, only 100 Lbs. were used where due quantity was 117.61 Lbs. in this case.

1600. The departmental representative informed the Committee that there was no deviation whatsoever in this case. Audit objection was that it had not been properly prepared, Audit representative expressed his desire that some time should be given to them so that they could go through this item thoroughly. *The Committee agreed to the suggestion of Audit and the paragraph was, therefore, deferred.*

1601. [*Para 39 (iii), (iv), (v) and (vi), pages 21—23-ARDS*].—The Committee was not satisfied with the explanation given by the department in respect of the above items. Audit also requested the Committee that some time may be allowed to Audit to go through these items also.

1602. *The Committee therefore, decided that the above cases would be taken up next time. The above paragraphs were, therefore, deferred.*

1603. *Loss of imported stores worth Rs. 308,000* [*Para 40, page 23-ARDS*].—In a Central Stock from (November, 1977 to December, 1978), 70,000 Acid proof bricks (150 × 150 × 20 mm size), were received from a supply source of which only 50,000 were taken on charge, resulting in a loss of 20,000 bricks worth Rs. 308,000. It was stated by the department that the loss of 20,000 bricks was being investigated through a Court of Inquiry, the proceedings of which had not yet been finalized. Action would be taken as recommended by the Court of Inquiry and Audit would be informed.

1604. Audit pointed out that recovery from supplier and disciplinary action in this 7 years old case was outstanding although a Court of Inquiry was constituted nearly 3 years ago.

1605. Replying to the remark of a member the departmental representative submitted that the department had already held Inquiry in this case and disciplinary action was in progress against people who had been found guilty. The department had recovered rupees 59 thousand from the contractor and the remaining amount was under recovery.

1606. In view of the position stated above, the Committee directed the departmental representative to furnish a copy of the report of Court of Inquiry to Audit. Subject to verification and satisfaction of Audit, the paragraph was dropped.

1607. *Overpayment due to application of incorrect rates—Rs. 285, 818* [*Para 41(i), pages 23-24-ARDS*].—In June, 1981 a MES formation paid for 2538 M2 of 90 mm thick PCC sub-floor in CM 1:3:6 at a rate applicable for PCC work in CM 1:2:4 resulting in overpayment of Rs. 114,185. The Division stated that the amount had since been recovered from the contractor and the Director General Audit, Defence Services, Karachi had been informed. Since the recovery of Rs. 114,185 had been verified by Audit, the Committee decided to drop the paragraph.

1608. [*Para 41 (ii), page 24-ARDS*].—Audit had reported that in a measurement contract concluded on 14th July, 1977 by the M.E.S. formation at 51% above M.E.S. schedule of Rates 1975, the contractor was allowed to use G.I. Pipe 8" dia instead of cast iron pipe. Consequently, an amendment to contract agreement was issued on 20th November, 1977. The rate for G.I. water pipe was derived from the M.E.S. Schedule of Rates 1975 as Rs. 84.07 per Rft, but the contractor was allowed the Star Rate of Rs. 138.78 per Rft. resulting in overpayment of Rs. 85,669 in June, 1978. The Division stated that the payment made for supply and fixing of 8" G.I. pipe by executive engineer was correct as the rates for supply and fixing of 8" G.I. Pipe was not available in M.E.S. Schedule of Rates 1975. Pro-rata rate as contended by the Test Audit, could not be correctly prepared, reason being that the weight of 8" G.I. Pipe did not vary with any proportion to the increase or decrease of G.I. Pipes as could be seen from data supplied by the E-in-C's Branch to work out proportional rate of high quality G.I. Pipe from medium quality G.I. Pipes, the weight for pipe as compared to the weight of 1" Pipe was increasing more than twice as such payment for the pipe made on star rates was correct.

1609. After discussion, *the Committee directed that Audit should examine the actual issue of G.I. Pipes and report to the Committee, if necessary.*

1610. [*Para 41 (iii), page 24-ARDS*]—The Committee decided to drop the paragraph subject to verification of recovery of Rs. 73,733 by Audit.

1611. [*Para 41 (iv), page 24-ARDS*].—The Committee decided to drop the paragraph subject to verification of recovery of Rs. 12,199 by Audit.

1612. *Provision of glazed tiles in Airmen barracks Rs. 76,850 [Para 42, pages 24-25-ARDS*].—In a M.E.S. formation a sum of Rs. 76,850 was spent on provision of glazed tiles in double storey Airmen barracks where Terrazzo floors had already been provided and were still in serviceable condition. First of all the entire expenditure of Rs. 76,850 was un-authorized as provision of glazed tiles in Airmen barracks was neither authorized by the Government nor was it usually provided in that type of accommodation. Secondly the dismantling of existing Terrazzo floors (still in serviceable condition) only for replacement with glazed tiles flooring, was not a financially prudent decision.

1613. The department stated that the case was under process. Final reply would be submitted in the next meeting of the PAC. *In view of the above position, the Committee decided that the paragraph may be deferred for the next meeting.*

1614. *Provision of Geysers in 'D' type Bungalows Rs. 72,500 (Para 43, page 25-ARDS*).—According to Audit from January to June, 1981, 19 Gas Geysers of 30 gln capacity were installed in 'D' type Officers accommodation at a Station in contravention of Government Orders, involving an irregular expenditure of Rs. 72,500.

1615. The departmental representative informed the Committee that 'D' type accommodation is for the officers of the rank of Major. When these officers are given this accommodation the department provides such assessories. The Committee accepted the above explanation of the departmental representative and decided that the paragraph be dropped.

1616. *Over-issue of stores—Rs. 23,000 (Para 44, page 25-ARDS*).—Audit had reported that 6,632 bags of cement were issued against a work completed on 27th December, 1978, against the actual requirement of 5,484 bags, resulting in an over-issue of 1,148 bags. The cost of retained cement was recovered at Stock Book Rate of Rs. 27.90 per bag against the actual Book Rate of Rs. 48 on 27th December, 1978. The short recovery of Rs. 22,976 was pointed out in May, 1982. The Engineering Authority contended that the Stock Book Rate on the date of completion of work was Rs. 31.44 per bag and a further recovery of Rs. 2,672 had been made.

1617. The Division stated that in this case, contract agreement was completed on 27th December, 1978 and the last issue of 200 bags was made on 31-5-1978. The maximum stock rate of the MES was Rs. 23.35 per bag. The recovery of over-issue of cement in final bill of the above CA was effective @ of Rs. 27.90 per bag being the maximum rates as shown at P-151 stock purchase register of central stock of defunct CMES (DP-I Kamra).

1618. Audit pointed out that the recovery for material retained by the contractor had to be made at the rates prevalent on the date of completion of work (not last issue date as contended by the executive).

1619. *The Committee, after going through the reply of the Division and the Audit comments thereon, directed the Audit to look into it again in order to satisfy itself. If Audit felt otherwise it may revert back to the P.A.C. for decision.*

1620. *Issue of stores not required to be incorporated (Para 45, page 25-ARDS).*—An M.E.S. formation issued certain imported stores like welded steel pipes, flexible mattalac hose pipes, gate valves, brass cocks, G.I. Sockets and partitioners etc., under Schedule 'C' of Contract Agreement which were neither required nor actually incorporated in this work. The recovery rates were also arbitrarily assessed on the low side.

1621. The Division explained that a Court of Inquiry had been convened to investigate the issue of stores not required to be incorporated and fix responsibility therefor. The proceedings thereof had not yet been finalized. As regards the disciplinary aspect of the case and remedial measures, action would be taken as per recommendations of the Court of Inquiry.

1622. Audit pointed out that the Court of Inquiry convened in this case had said that no financial irregularity had occurred. But this Court of Inquiry was a board of officers which was ordered by the C.M.E.S. and included M.E.S. officers of the same office. Financial Regulations and the M.E.S. Regulations provided for holding of a Court of Inquiry constituted under orders of the Administrative authority and not the Engineering Authority, A proper Court of Inquiry needed to be convened.

1623. *The Committee observed that the above Audit comments appeared to be correct and justified. Secretary of the Division should look into it as the reply of the Department was not satisfactory. The Department should constitute a proper Court of Inquiry as the amount of the stores issued was not so small. The Committee, therefore, decided that the paragraph be deferred.*

1624. *Retention of material without cost adjustment—Rs. 76,000 (Para 46, page 26-ARDS).*—Since the recovery of Rs. 78,356 as intimated by the Department had been verified by Audit, the paragraph was dropped.

1625. *Undue financial aid to contractors Rs. 68,700 (Para 47, page 26-ARDS).*—Audit had made out in their comments that since the audit version had been accepted by the department in the concluding paragraphs of the latter's reply, the PAC might consider its settlement. The Committee agreed with the above comments and decided to drop the paragraph.

1626. *Issue of cement in violation of conversion rates—Rs. 68,500 (Para 48, page 26-ARDS).*—After having gone through the reply of the Division and the Audit comments thereon, the Committee concluded that the paragraph may be dropped.

1627. *Conversion of cement at incorrect rate from cwt to 50 kg bags—Rs. 9,980 (Para 49, page 27-ARDS).*—In view of the Audit comments, the Committee decided that subject to regularization action of the loss to satisfaction of Audit, the paragraph be dropped.

1628. *Extra expenditure due to uneconomic bazar supply contract-Rs. 75,000 (Para 50, page 27-ARDS).*—The Committee considered and discussed the explanation of the department but was not fully satisfied. Audit also suggested in their comments that the fact remained that Bazar supply rates were on a very high side when compared with term Contract Rates concluded by the same formation, for the same area and the same nature of work or supply. The Division may, therefore, re-examine this issue.

1629. In view of the above Audit comments, *the Committee decided that the Audit should examine this issue again. The departmental representative also promised to carry out a detailed examination of this case and report to PAC.*

1630. *Delay in finalization of tender Rs. 63,150 (Para 51, page 28-ARDS).*—The Committee discussed this paragraph and decided to drop it. Subject to the satisfaction of Audit with regard to the explanation given.

1631. *Wasteful expenditure on repair of ceiling fans Rs. 15,000 (Para 52, page 28-ARDS).*—As reported by Audit, in a MES formation, 30 ceiling fans of 48" sweep were dismantled, overhauled or rewinded and repaired during July, 1979—January, 1980 at an average cost of Rs. 670 per fan (total expenditure being Rs. 20,100). The decision to get the fans repaired was unwise and uneconomical because a new ceiling fan of 48" sweep of the standard make was available in the open market @Rs. 550 each. An avoidable expenditure of more than Rs. 15,000 was thus caused which needed regularization.

1632. It was stated by the Division that in fact the total number of fans required or overhauled was not 30 as mentioned in the Audit objection but 120 and average expenditure on repair of each fan had come to Rs. 167 and not Rs. 670 as calculated by Audit.

1633. The Audit did not accept the explanation and stated that the original audit objection giving the cost of repair per fan was discussed, in the presence of the concerned staff, with G.E (DP). The facts were not contested and reasons for high cost of repairs were not given. It appeared that Division's reply did not reflect the factural position.

1634. After discussion, the Committee directed that the Division should lay down clear guidlines about the repairs of fans, so that fans are not repaired at a cost at which new fans could be purchased. The paragraph was, however, dropped subject to satisfaction of Audit.

1635. *Over-accounting of work done Rs. 33,808 (Para 53, page 29-ARDS).*—Since the recovery of Rs. 33,808 had been verified by Audit, the Committee decided that the paragraph be dropped.

1636. *Over-payment to contractor on various accounts Rs. 56,197 (Para 54, page 29-ARDS).*—The department claimed that the overpayment of Rs. 52,869 on various accounts had been recovered from the contractor instead of Rs. 56,197. The difference was for item (vi) of the Audit objection wherein against Rs. 8,516. recovery of Rs. 5,137 only was effected.

1637. The above recovery of Rs. 52,859 had been verified of Audit pointed out that disciplinary aspect of the case still needed to be considered. The Committee decided to drop the paragraph.

1638. *Overpayment to a Cement Company-Rs. 1,189,000 (Para 55, page 30-ARDS).*—Audit stated that the omission pointed out by them had been rectified by the issue of another letter in June, 1982 wherein the date of applicability of the revised rates was shown as 17-6-1979. Audit recommended the settlement of the paragraph. The Committee, therefore, decided to drop the paragraph.

1639. *Delays in finalization of tenders-Rs. 503,076 [Para 56 (i), page 30-ARDS).*—Audit while commenting on the reply of the department, pointed out the non-award of contract for the entire quantity of 51 lacs washing soap to Feroz Sons Limited at the lowest rate and the delay in processing of tenders had caused an extra expenditure of Rs. 442,000 to the State.

1640. *The Committee, therefore, directed that the Secretary of the department should look into it again and convince Audit. The paragraph was deferred.*

1641. *[Para 56 (ii), pages 30-31-ARDS].*—The Committee did not make any material observation regarding this paragraph, which was dropped.

1642. *[Para 56 (iii), page 31-ARDS].*—Audit stated in their comments that the extra expenditure of Rs. 29,585 had since been regularized. The Committee, therefore, decided that the paragraph be dropped.

1643. *Loss caused due to non-acceptance of the lowest tender—Rs. 420,000 (Para 57, page 31-ARDS).*—Audit had accepted the explanation of the department and recommended settlement. The Committee accordingly, dropped the paragraph.

1644. *Rate running contract at higher than market rates Rs. 40,500 (Para 58, page 32-ARDS).*—Audit suggested in their comments on the reply of the Division, that the latter should review the list of common use items to unable it comprehensive and the devise procedure for better coordination between the three wings of the Armed Forces to share their experience for procurement at the best available rates.

1645. Agreeing to Audit's suggestion, the Committee decided that the Ministry should look into it. The paragraph was however dropped.

1646. *Acceptance of quotations containing element of 3% Income Tax-Rs. 20,281 (Para 59, page 32-ARDS).*—Replying to the remark of a member of the Committee, the departmental representative submitted that out of three, in one case recovery of Rs. 10,505 as income tax had been made. But in other two cases, the income tax recovery of about Rs. 2,000 had to be made. The Committee decided that subject to recovery of the remaining amount of income tax, the paragraph be dropped.

1647. *Incorrect preparation of comparative statement of tenders—Rs. 10,800 (Para 60, page 32-ARDS).*—Audit stated in their comments that in their reply the department had said that the offer of the firm was rejected by the Board of Officers on technical grounds, but this was not borne out by the documents available with Audit. The Division should be advised to re-check their record.

1648. *The Committee, accordingly, directed that the Division should re-check the record and produce the document to Audit. The paragraph was therefore, deferred.*

1649. *(Paras 61, 62 and 63, pages 33 and 34-ARDS).*—Replies to 9 cases indicated in above paras had not been given by the Ministry. *The Committee directed the departmental representative to look into these cases and reported back to the Committee.*

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

1650. *Blockade of Funds (Rs. 34,199,370) and loss of interest of Rs. 32,831,395 due to un-necessary purchase and installation of C.N.A. Plant (Para 8, page 5-Commercial Appendix).*—According to Audit, Pakistan Ordnance Factories imported and installed a plant having annul production capacity of 12,000 tons

@ 40 tons per day of concentrated Nitric Acid at a total cost of Rs. 34,199,370 in 1970. It trial run was carried out during 1974-75 but proved unsuccessful due to breakage of compressor and unsatisfactory working of certain parts.

1651. The Committee after having gone through the detailed explanation of the department, the Audit comments thereon having had a detailed discussion on this paragraph and seeking certain clarifications from the departmental representative, decided that the paragraph be dropped.

1652. *Loss of Rs. 8,589,928 due to sale of civil products to a limited company (Para 9, pages 6-7-Commercial Appendix).*—Commenting on the detailed reply of the Division, Audit stated that the annexure provided with the paragraph had given figures from 1975-76 to 1980-81. It was, therefore, incorrect to say that the case related to the period 1975-76 to 1977-78 only. The Division had challenged the figures of actual expenditure on material shown in the Annexure but the figures which appeared to be correct to the Division had not been given. The Division's contention that Wah Bofors paid heavy taxes to the Government was irrelevant to the subject matter. Suitable measures proposed to be adopted had not been specified.

1653. Audit further commented that Bofers of Swedon still held 49% shares in the Company (Wah Bofors). Due to supply of chemicals to the company by POF below marginal cost, the company earned more profit at the cost of POF which resulted in greater out flow of profit in foreign exchange to Sweden. Lastly, Audit held the view that investigation should be made in this case with a view to know the exact amount of loss a sustained by POF.

1654. *The Committee finally decided that Audit should re-examine the formula in regard to the material cost and report to the Committtee. The paragraph was, therefore, deferred.*

1655. *Extra expenditure of Rs. 1,156,239 on purchase of ractified spirit (Para 10, page 7-Commercial Appendix).*—Audit had reported that P.O.F. invited tenders for the supply of 872, 360 liters rectified spirit on 24.2.1979 and a contract dated 7-5-1979 was concluded with the lowest bidder whose rate was Rs. 2.068 per liter. The supply was to be completed by June, 1980. Out of the total quantity of 872, 360 litres, only 225,027 litres (26%) were supplied by June, 1980. Fresh tenders were invited and a new contract dated 14-7-1980 was executed with the same suppliers for the balance of 633,200 liters @ Rs. 417 being the lowest rate. The firm could supply only 550,066 litres, even at the enhanced rates.

1656. Audit further reported that according to clause 5 of the agreement, liquidated damages @ 10% of the total contract (Rs. 180,404) were to be recovered from the suppliers or the remaining material was to be purchased to the risk and cost of the defaulting suppliers as a result of which a loss of Rs. 1,156,239 being the difference in cost of 550,066 litres of spirit, supplied by the Contractor at the enhanced rates of Rs. 4.17 instead of Rs. 2.0698 per litre, was suffered by the Organisation.

1657. *The Committee has seen the detailed explanation of the department which was found to be unsatisfactory. It being incorrect, the departmental representative was directed to look into it and furnish a fresh explanation and report why no action was taken against the contractors. The explanation should be lucid covering all aspects in regard to award of contracts, contractual obligations etc. as mentioned in the reply of the department, Audit should also watch progress of recovery.*

1658. ***Blockade of funds (Rs. 1.050 million) in the purchase of a Crane (Para 11, pages 7-8-Commercial Appendix).***—According to Audit, Pakistan Ordnance Factories imported a Crane valuing Rs. 1.050 million from England in February, 1978. On inspection at Wah in June, 1978, certain vital parts valuing Rs. 133,440 were found missing as the consignment was short landed at Karachi Port.

1659. It was explained by the department that the crane had been put into use after fabricating the missing parts of the Crane locally. A claim was lodged by GHQ on shippers in respect of short landed unprotacted Rail Crane Parts. Later on it was intimated by OFLS Karachi that the shortage of two unprotacted Rail Crane Parts packages in respect of the said claim had been adjusted with excess packages received, based on which the claim had been withdrawn from the carrier. On inquiry from OFLS regarding depatch of the excess Packages. (based on which the claim had been withdrawn) despatch particulars were intimated to POF. On physical checking of the stores record it was revalved the two excess Packages were not actually pertaining to POF which then again asked OFLS Karachi to resubmit the claim to the Carrier but after a lot of correspondence, OFLS Karachi had now intimated that claim could not be lodged, being time barred. However, for fixing responsibility, the case was being examined by a Court of Inquiry and necessary action would be taken as and when the Court of Inquiry finalized its proceedings.

1660. Questioned as to why the claim was time-barred, the departmental representative replied that as it was lost in transit. The department lodged the claim with the National Shipping Corporation.

1661. *After discussion, the Committee directed that the procedure should be reviewed to avoid unnecessary purchase in future like the purchase of cranes in this case. The result of the inquiry in this case should be furnished to Audit.*

1662. *Loss of Rs. 548,480 due to risk purchase of containers (Para 13, pages 8-9-Commercial Appendix).*—According to Audit, a formation awarded a contract to a firm on 29-6-1978 for supplies of 118,000 ammuniation containers at a total cost of Rs. 906,240. As the supplier failed to supply the containers, the contract was cancelled and a new contract placed on another firm at a total cost of Rs. 1,479,720 at the risk and cost of previous supplier. The action resulted in an extra expenditure of Rs. 548,480 after adjusting Rs. 25,000 of security deposit.

1663. *After having gone through the reply of the department, the Committee observed that the reply, being un-satisfactory, recovery should be made from the contractor. The Committee further directed that the finding should be submitted to the POFs Board for decision and then a report furnished to the Committee. The paragraph was, therefore, deferred.*

1664. *Shortage of Wollen Cutting sorts worth Rs. 180,616 (Para 14, page 9-Commercial Appendix).*—No observation was made by the Committee except that in future adjustment of losses shortages should be made promptly.

1665. *Loss of Rs. 127,002 due to shortage of stores (Para 15, page 9-Commercial Appendix).*—The department stated that as per terms of the contract, the store was to be collected by the Officer Incharge, Ordnance Factories Liaison Section, Karachi, from Trading Corporation of Pakistan godown after physical Weighment and counting of Ingots and then despatch them in full to POF immediately in covered wagons. It was intimated by Supt/Pur-I, that out of the contracted quantity of 1,228 M/T, Ordnance Factories Liaison Section had collected 1,227.898 M/T from Trading Corporation of Pakistan for onward despatch to POF but only a quantity of 1217.400 M/T (59,577 pieces) was received in POF and taken on charge. Ordnance Factories Central Stores Depot kept on asking Ordnance Factories Liaison Section to furnish the despatch details both in number of pieces and weight. No satisfactory report was received from them regarding deficiency of 10.498 M/T of Zinc Ingots. Then a Court of Inquiry was convened to investigate the loss. The recommendations of the Court of Inquiry with the approval of the competent Authority had now been received and action was being taken accordingly. Audit pointed over that if the employee who was responsible had since proceeded of LPR and was not traceable, the responsibility by fixed and action taken for delay in processing the sanction of Audit observation, delay in instituting a court of inquiry and permitting the incharge liaison officer to proceed on LPR and settle his dues when a case of shortage enquiry was pending against him.

1666. In view of the position stated by the Audit in their above comments, *the Committee directed the departmental representative to look into the case and a detailed report be furnished to PAC.*

1667. *Non-recovery of risk purchase from a defaulter firm (Rs. 77,868) (Para 16, page 10-Commercial Appendix).*—The Committee decided that the paragraph dropped.

1668. *Irregular payment of Rs. 16,772 as advance increments (Para 17, pages 10-11-Commercial Appendix).*—The Committee observed that the payment had to be regularized. Audit should watch the progress. The paragraph was, therefore, dropped subject to its regularization and Audit's verification thereof.

1669. *Loss of interest (Rs. 264,560) due to keeping surplus funds in short term deposit (Para 18, pages 11-12-Commercial Appendix).*—The paragraph was dropped as Audit had accepted the reply of the department.

FINANCIAL REVIEW OF THE WORKING OF THE PAKISTAN ORDNANCE FACTORIES

1670. *Working results (Para 48, page 31-Commercial Apppendix).*—According to Audit the closing balance of stores increased from Rs. 916.411 million as on 30th June, 1981 to Rs. 1,023,273 million as on 30th June, 1982 showing an increase of 11.7%. The Committee did not made any observation and the paragraph was treated as dropped.

1671. *(Para 49, page 31-Commercial Appendix).*—The Committee decided that the paragraph be dropped subject to accelerated recovery of the old dues and satisfaction and verification by Audit.

1672. *(Para 50, pages 31-32-Commercial Appendix).*—Since Audit had verified the explanation, the paragraph was dropped.

1673. *(Para 51, page 32-Commercial Appendix).*—Audit's view was that need for liquidating the old outstanding should be stressed. The Committee, therefore, decided to drop the paragraph subject to early recovery by the Division and satisfaction of Audit.

1674. *(Para 52, page 32-Commercial Appendix).*—Audit commented that there should be some system to know the completion state of on-going jobs at the close of the year. *The Committee directed that this requirement should be complied with by the organization.*

COMPLIANCE ON PAC'S REPORT 1979-80

1675. *The Committee decided that the consideration of the Compliance Report for 1979-80 be postponed for the next Session of the PAC.*

1676. *Points/Paras not dicussed to be treated as settled.*—The Committee did not make any observation of the other paragraphs and points in the Appropriation Accounts (Civil/Defence Services), Commercial Appendix Defence Service 1981-82 and the Audit Reports thereon. These would be deemed as settled subject to such regularization actions as may be called for under the rules.

1677. The Committee thereafter adjourned sine die.

M. A. HAQ,
Secretary.

Islamabad, the 17th November, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 26th March, 1986

Eighteenth Sitting (PAC)

*2894. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad to continue examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, Member, National Assembly.	*Chairman.*
(2) Sardar Aseff Ahmed Ali, Member, National Assembly	*Member.*
(3) Ch. Muhammad Sarwar Khan, Member, National Assembly.	*Member.*
(4) Rai Arif Hussain, Member, National Assembly ..	*Member.*
(5) Mr. Shahabuddin Shah Hussainy, Member, National Assembly.	*Member.*
(6) Mr. Miangul Aurangzeb, Member, National Assembly	*Member.*
(7) Shahzada Jam Muhammad Yousuf, Member, National Assembly.	*Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.
(2) Ch. Abdul Qadir, Joint Secretary.
(3) Mr. Muhammad Aslam, Deputy Secretary.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
(4) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).
(5) Mr. Muhammad Saleem Siddiqui, Accountant General, Pakistan Revenues and Director General of Audit, Defence Services.
(6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.
(7) Raja Muhammad Saleem Khan, Director, Foreign Audit.

Ministry of Finance :

(1) Mr. Tanwir Ali Agha, Deputy Secretary (Budget).
(2) Mr. Zulfiqar Khan, F.A. (Military Finance).
(3) Mr. Muhammad Ashraf, AFA (Military Finance).
(4) Mr. Roshan Ali Mangi, F.A. (Pakistan Navy).

2895. *Accounts examined.*—Accounts pertaining to the Defence Production Division were examined by the Committee during the course of the day.

*Paragraphs upto 2893 pertain to other Ministries/Divisions.

DEFENCE PRODUCTION DIVISION

2896. The Committee took up for examination the Compliance Report for 1979-80, pertaining to the Defence Production Division. The following departmental representative were present :—

(1) Mr. Tariq Mustafa, Additional Secretary Incharge.

(2) Mr. Mohsin Kamal, Joint Secretary.

(3) Mr. Ghulam Mohiuddin, OSD/Section Officer.

(4) Mr. Muhammad Naseem, OSD/Section Officer.

(5) Mr. Muhammad Saparas, A/Section Officer.

(6) Lt. Col. Riaz Ahmed, DD (Sup).

(7) Lt. Col. Fazal Rasul Khan, DD (MT).

(8) Lt. Col. Syed Zia Hyder Zaidi, DD (A&GS).

(9) Lt. Col. Muhammad Munir Ahmed, DD (Med).

(10) Lt. Col. Mohammad Saeed, DD (Sigs).

(11) Mr. Abdul Malik, FA and Member POF Board.

(12) Mr. Mohammad Afzal, DICR and Member POF Board.

(13) Col. Muhammad Taimur, DW&CE (DP).

COMPLIANCE REPORT 1979-80

2897. *Procurement of Contracted stores below specification without financial adjustment of Rs. 157,293 (Paras 1993-95, page 490-PAC Report 1979-80).*—In this case Audit had pointed out that in the case of contract for supply of Batteries, the supply was accepted below contracted specification without reducing the cost.

2898. The P.A.C. in its meeting held on 17th March, 1983 observed that it was a bad case and directed that the Ministry should look into the supply of below specification. Battery Stores and take suitable action to rectify the drawback in their purchase procedure.

2899. Audit pointed out that the P.A.C. in its earlier directive required a review of the purchase procedure which had not been done. The Departmental representative explained that the procedure was reviewed and there was nothing wrong in it. Such cases were very rare and might have occurred due to non-implementation of correct procedure.

2900. It was remarked by the Chairman that such things were not tolerable in a department like Defence Production as these were serious commissions. Anything wrong in the procedure should be removed to avoid recurrence of such irregularities.

2901. The PAC issued the following directions :—

(i) Clear and strict instructions should be issued by the Ministry to guard against any such recurrence in future.

(ii) Whenever Audit address a communication to any Ministry/Department bringing to their notice any serious acts of omission and commission, the communication must receive prompt attention and responded to within one month.

2902. The paragraph was dropped.

2903. *Infrauctuous expenditure on the procurement of obsolescent stores Rs. 110,000 (Paras 1996—2002, pages 491-92-PAC Report 1979-80).*—It had been pointed out by Audit that a contract with a firm for supply of stores was cancelled due to stores having become obsolescent. The firm sought arbitration in this case and got award of Rs. 110,000 which was paid. Had this contract been cancelled due to non-supply of the stores within stipulated period, this amount would have been saved.

2904. In its earlier meeting dated 17th March, 1983 the PAC had directed that the Ministry should submit detailed report about the obsolete stores, to the Committee within two months. It was explained by the departmental representative that it was an old case pertaining to the period 1966—68, whereas Defence Production Division was created in 1972. The case could not be finalised in spite of best efforts. The Chairman remarked that the matter must be finalised within one month and Audit should verify.

2905. The PAC directed that its directives must be attended to promptly by all concerned and the paragraph was dropped.

2906. *Irregular grant of esclation on price on the supplies made within first six months of contract Rs. 12,500 (Para 2007, page 493-PAC Report 1979-80).*—Audit pointed out that Rs. 12,500 were paid as escalation in price when it was not due for payment. In this case the PAC after discussion did not find the explanation as satisfactory and directed to take Disciplinary Action against those found at fault. An attempt was again made by the Department to justify the payment of irregular escalation.

2907. A member, pointed out that the decisions of the P.A.C. should not be taken lightly and made it clear that the department was accountable for every penny they spent, to the representative of the people of Pakistan and desired that displeasure of the PAC should be conveyed to the members of Escalation Committee. He further stated that, in future, such non-observance of PAC's directives would be taken serious note of.

2908. The P.A.C. directed that the members of the Escalation Committee in this case should be conveyed the displeasure of the P.A.C. and its directives must be attended to promtly by all concerned. The paragraph was dropped.

2909. *Over-payment of Rs. 39,498 as emoluments to an Officer (Para 2020, page 495-PAC Report 1979-80).—The case being sub-judice, the paragraph was deferred.*

2910. *Financial Review on the working of P.O.F. for the year 1979-80 (Paras 2028—2032, page 496-PAC Report 1979-80).*—In this case Audit had poined out discrepencies in the Accounts as reflected in the Commercial Appendix. The PAC earlier had directed that the adequate corrective measures should be taken and accounts of the Wah Bofors Ltd. should also be printed alongwith those of Wah Industries. Audit representative observed that P.O.F. should prepare their accounts on commercial pattern like Wah Industries Ltd. to make it more understandable.

2911. *The PAC dircted that a Committee headed by the Auditor-General with suitable representatives of the Ministry and P.O.F. Wah may be constituted to look into the matter and submit its report in the next meeting of the PAC.*

2912. *Ex-gratia payment of Rs. 1,353,746 (Para 2033, page 497-PAC Report 1979-80).*—In its meeting held on 13th March, 1983 the PAC had conveyed its displeasure in the manner this case was handled and directed that the report must be furnished by 30th April, 1983.

2913. *After hearing the explanation of the departmental representative, the PAC observed that it was a matter of concern that proper action had not so far been finalised. The paragraph was deferred.*

2914. *Statement of ex-gratia payment exceeding Rs. 20,000 in each case (Para 2034, page 497-PAC Report 1979-80).*—In reply to the PAC's directive that report should be submitted, by 30th April, 1983, the Departmental representative stated that it was not ready. *The PAC directed that reply should be furnished within one month and matter be settled with Audit.*

2915. The reply of the department relating to following paras were under verification by Audit. These would be reported back to the Committee, if necessary :—

Para No. of PAC Report 1979-80	Page No. of PAC Report 1979-80
2036	497
2038	497
2039	498

M. A. HAQ
Secretary.

Islamabad, the 18th September, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 3rd September, 1986

Sixteenth Sitting (PAC)

*1035. The Public Accounts Committee assembled at 9.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1982-83. The Following were present :—

P.A.C.

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*
(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*
(3) Rai Arif Hussain, M.N.A. .. .. *Member.*
(4) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*
(5) Mr. Shahabuddin Shah Hussainy, M.N.A. .. .. *Member.*
(6) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*
(7) Malik Said Khan Mahsud, M.N.A. .. .. .. *Member.*
(8) Shahzada Iam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat.

(1) Mr. M. A. Haq, Secretary.
(2) Ch. Abdul Qadir, Joint Secretary.
(3) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
(4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
(5) Shaikh Muhammad Sadiq, Accountant General Pakistan Revenues.
(6) Mr. Ahmad Nawab Qureshi, Director General Commercial Au it
(7) Mr. Iftikhar Ali Khan Raja, Director General, (A&A Works Lahore.
(8) Mr. M. Saleem Siddiqui, Director General Defence (Audit).
(9) Mr. Abdul Rauf Khan, AAO (IS&F).

Ministry of Finance.

(1) Mr. Masood Ahmad, Deputy Secretary.
(2) Mr. Zulfiqar Khan, FA (P).
(3) Mr. Fakhruddin Malik, FA (DP).

1036. *Accounts Examined.*—Accounts pertaining to the Defence Production Division were examined by the Committee during the course of the day.

*Paragraphs upto 1034 pertain to other Ministries/Divisions.

DEFENCE PRODUCTION DIVISION

1037. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Defence Production Division. The following departmental representatives were present :—

(1) Mr. Tariq Mustafa, Secretary.

(2) Mr. Mohsin Kamal, Joint Secretary.

(3) Mr. Ghulam Mohiuddin, OSD|Section Officer.

(4) Mr. Ibnul Hasan, MAG.

(5) Col. Chaudhry Muhammad Aslam, D.G. (DP), Army.

(6) Capt. M. Afzal Malik, DP (Navy).

(7) Air Cdr. Maqsood A. Kureshy, DP (Air).

(8) Mr. Abdul Malik, FA (OF) and Member POF Board.

(9) Mr. Muhammad Afzal, DICR and Member POF Board.

(10) Mr. Muhammad Sarwar, MD, Wah Industries Limited.

(11) Gp. Capt. Naeemullah Qureshi, Director Munition Procurement (Air).

(12) Col. Muhammad Taimur, DW&CE (DP).

(13) Mr. Muhammad Tufail Gill, Tech. Secretary (DESTO).

1038. This Division controlled only Grant No. 29, Ministry of Defence (Function 112 only).

APPROPRIATION ACCOUNTS (CIVIL)

1039. *Grant No. 29—Ministry of Defence* (*Page* 202-*AA*).—The Grant closed with a saving of Rs. 41,500, which was nominal. The Committee did not make any observation on it.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

1040. *Non-linking of goods against consignments* (*Para* 3, *page* 5-*AADS*).—Audit while certifying the Accounts pointed out that consignees of Defence Department stores had not linked the goods received against particular consignments notified. It was further reported to the Committee that the matter had become a chronic problem. Against consignments of Rs. 71.5 million only Rs. 32 million could be linked. Thus there appeared to be some structural bottlenecks.. The Department stated that linking had been completed and there was no balance outstanding now. The Committee dropped the paragraph subject to verification by Audit.

1041. *Review of written of losses by POF Board* [*Para II* (*i*) (13), *pages* 8-9-*AADS*].—Audit while carrying out review of write off losses, reported that in addition to other losses, short landing cases valuing Rs. 61,258, were also written off which were otherwise recoverable from Agents etc. The Department intimated that short landings were beyond control of P.O.F. and loss had been partly compensated by the Agents. Goods were not generally insured, to save loss due to premium, which was much more than such losses. Against total imports of Rs. 371 million premium would work out to 11 million and actual losses were much less than that.

1042. A Member at this point observed that it was a matter of procedure, what would happen if there was some mishap? The Department reported that in emergent cases it was done. It was a matter of judgement. The Chairman PAC observed that there appeared to be some flaw in the procedures. Ministry of Finance should see that some uniform policy was adopted. Audit wanted to know the formula under which share of the Shipper and Department was fixed by the Board and if the Government interest was kept in view? It may be examined, if a reserve for losses could be created.

1043. The Committee observed that a detailed study of the matter was required to be carried out and directed that Ministry of Finance may formulate uniform policy regarding insurance of consignments during shipment of goods owned by Government. The case regarding raising the liability limit of shipping agents may also be examined.

AUDIT REPORT (DEFENCE SERVICES)

1044. *Non-recovery of Risk and Cost Amounts from the Defaulters—Rs.* 3,462,500 [*Para* 15 (*A*), *page* 10-*ARDS*].—According to Audit Report certain contractors failed to supply the contracted quantity of Gram and supplies were obtained from other contractor at higher rates at their risk and cost, in accordance with the provision of the contracts. An amount of Rs. 3,462,500 on this account had not been recovered. The Department explained that out of seven cases, recovery in four cases had been made and recovery in other three was in process. Audit reported that an amount of Rs. 1,291,739 had so far been recovered and desired that Department should explain case of recovery of Rs. 866,269 lacs from M|s. Sh. Muhammad Jamil and Sons.

1045. The Department reported that the matter had been taken up with Law Division. For engaging another Advocate, instead of existing one. The Law Division had advised to give another chance to the existing Advocate. An amount of Rs. 50,000 had been recovered, and the balance was under recovery. The firm had been brought back to business and recovery of balance amount would be possible. The Government dues could be recovered upto 60 years according to limitation law. Audit was, however, doubtful if carrying out business with a defaulter was valid act.

1046. The Committee, after a detailed discussion, directed that the case of recovery from S. M. Jamil and Sons may be expedited. The statement of the Department regarding limitation of 60 years for recovery of Government dues may be checked up and confirmed. The paragraph was deferred.

1047. *Loss due to Unauthorised Interpolation in Clause after Acceptance of Contract—Rs.* 441,300—(*Para* 65, *page* 35-*ARDS*).—Audit pointed out that unauthorised interpolation were made in a contract due to which an amount of Rs. 441,300 could not be recovered from the defaulting contractor, resulting in a loss to Government.

1048. The Department explained, that an inquiry in this case was being held. As for interpolation was concerned, there was no loss due to this interpolation. It was, however, correct that the defaulting contractor went to the Court of Law and this interpolation was taken by him as an excuse. The court decided that 30 per cent of Rs. 441,300 should be recovered, which was being done.

1049. The Committee directed that the officer who signed the slip for interpolation in the contract after acceptance of the contract may be asked to explain the reasons for doing so and a report submitted to the Committee. The paragraph was deferred.

1050. *Extra-expenditure of Rs.* 160,000 *by Disregarding a Lower Post Tender Offer* (*Para* 66, *page* 35-*ARDS*).—Audit pointed out that uneconomical tender rates were accepted in the case of a tender inquiry of procurement of 133,000 blankets, which resulted in extra-expenditure of Rs. 160,000. The Department reported that a court of inquiry was held in this case and nothing was found irregular. The case was examined and it was observed that careful decisions were taken. The requirement of rules were also kept in view. The Committee was not fully satisfied with the explaination, and directed that another inquiry may be held and report submitted to the Committee. The paragraph was deferred.

1051. *Conclusion of Contract on Exhorbitant Rates Resulting in Excess Expenditure—Rs.* 80,400 (*Para* 67, *page* 36-*ARDS*).—Audit pointed out that in the case of a Contract Agreement concluded in July, 1980, exhorbitant higher rates were allowed to the supplier. This fact was confirmed by the indentor also The break up of rate included a profit of 15 per cent over and above cost and other incidental charges. The Department, however intimated that Law Branch after consultation with technical experts were satisfied with the rates. Procedurally it was all regular. Audit observed that indenting office had already indicated that rates were high, before signing the contract.

1052. The representative of Finance observed that if rates were higher by 20 per cent, the matter was required to be referred to the indentor. The Department, however, held that value of goods to be supplied was less than 5 lacs, no such reference was required to be made to the indentor. The departmental representative admitted that material should have been purchased locally.

1053. The Committee after a detailed discussion directed that the officers concerned should be warned to be careful. In future, it may be ensured that if the lowest bid was exorbitant, it should not be accepted.

1054. *Over-payment to a Work Contractor by Fraudulently Exaggerating Measurements Shown in the Measurement Books and Calculation Mistakes—Rs.* 61,600 (*Para* 69, *page* 371-*ARDS*).—According to Audit Report while making final payment for a work to a contractor in MES formation, original record measurements in a measurement book were fraudulently increased, which resulted in an over-payment of Rs. 61,600 to the contractor. The Department admitted the objection and reported that disciplinery action and recovery of amount over paid was under action.

1055. The Committee observed that the recovery and disciplinary action in this case had been delayed. The recovery may be made and got verified from Audit. The paragraph was deferred.

1056. *Over-payment of Rs.* 94,300 *due to Calculation Mistakes in the Measurement Books* (*Para* 70, *page* 38-*ARDS*).—Audit pointed out that an over-payment of Rs. 94,300 was made to contractors through totalling mistakes and calculation errors. The recovery was not made, inspite of the fact that it was pointed out in December, 1982. The Department reported that it was a matter of time. The final bill had not been paid. The amount was being recovered through final bill. No disciplinary action was involved in the case.

1057. The Committee directed that recovery should be made. The paragraph was dropped subject to verification of recovery by Audit.

1058. *Infructuous Expenditure on Installation of Water Meters in the Quarters Provided Water Free of Cost—Rs.* 520,000 (*Para* 71, *page* 38-*ARDS*).—It was pointed out by Audit that 618 residential quarters constructed for Married Warrant Officers|Airmen, who were entitled to free water, were provided with Water Meters involving an expenditure of Rs. 519,580, which was infructuous. The Department reported that these quarters were also allotted to Civilians. According to the present position 229 quarters were occupied by Civilians, who were not entitled to free water and were billed on the basis of water meters and thus these meters were an essential requirement. The Committee dropped the paragraph.

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

1059. *Loss of Rs. 532,399 for not Completing the Work in Time and its Abandonment by the Contractor (Para 9, page 5-Commercial Appendix).*—Audit pointed out that a work was awarded to a contractor at a total cost of Rs. 1,763,220. The contractor could not complete the work within stipulated date of completion and even during extended period. He abandoned the work after execution partly for Rs. 1,022,488 only. The left over work was awarded to another contractor at a total cost of Rs. 1,274,131 at the risk and cost of defaulting contractor. After deduction of security deposit etc., the recoverable amount worked out to Rs. 475,025. Similarly against other recoveries outstanding amounting to Rs. 76,499, an amount of Rs. 19,125 only could be recovered. Thus the Government was put to a loss of Rs. 532,399 due to non-recovery. The Department explained in reply that exact amount of recovery due on account of risk and cost could not be calculated upto 12/85, as the accounts of the contractor who was re-allotted the work were not finalised earlier. The case of recovery which worked out to Rs. 783,408 had been taken up. It had been referred to Law Division. The recovery proceedings were in process.

1060. The Committee observed that delay in recovery should be looked into by the Secretary of the Division and a report should be submitted to the Committee.

1061. *Extra-expenditure of Rs. 280,657 due to Delay in Finalisation and Execution of Work (Para 10, page 6-Commercial Appendix).*—According to Audit, POF sanctioned installation of two tubewells at a cost of Rs. 396,000 in 1974 The Public Health Engineering Department was to execute the works. The work was put to tender twice and the lowest offer received was for Rs. 491,562. The Board, however, decided to execute the work departmentally and withdrew the funds from Public Health Engineering Department. The PHE Department was again asked to carry out the work in 1976. It was completed at a cost of Rs. 772,219. Had the work been carried out earlier, extra-expenditure of Rs. 280,657 would have been avoided.

1062. The Department, however, reported that the delay was on the part of PHE Department. The contractor had to use " Boring Rig " of the Department, which was busy on other works and could not be supplied by PHE Department to the contractor. In the meantime validity period of the tender expired. Thus it was not a fault of POF.

1063. The Chairman, PAC observed that a serious view of delays should be taken. The rates which appear to be very high should be checked with the rates prevailing at that time, with WAPDA and National Tubewell Construction Company.

1064. The Committee directed that the procedure should be revised to make provision for monitoring the progress of works. A proper analysis should always be carried out and the amounts for deposit works should not be placed at the disposal of executing agencies without sorting out details. An enquiry should be made in this case and report submitted to the Committee.

1065. *Financial Review on the Working of the Ordnance Clothing Factories for the Year* 1982-83 (*Para* 58, *page* 43-*Commercial Appendix*).—It was reported in the Audit Comments that there was a production increase of 19 per cent over the previous year, yet the production target remained unachieved by 35 per cent. In order to meet the requirement 1,153,771 garments were got manufactured from outside agencies. The Department explained that the Factory had recently been expanded. It had been raised to 2 million garments capacity whereas it had only 1.2 million earlier. It was being managed to be utilized to maximum capacity.

1066. The Chairman, observed that if this factory was not in a position to take even the base load and Department had to go to the market, why it should not be closed? The Department promised to review the position.

1067. The Committee directed that there should be a study to look into the usefulness of continuing clothing factory as its production cost was too high as compared to private sector and report submitted to PAC. If it is to be continued at all this should be expanded to handle average load.

1068. *Rs.* 0.183 *Million Shown under "Amount due to Factories"* (*Para* 59, *page* 43-*Commercial Appendix*).—As per Audit Comments, value of work done on payment for private individuals/parties, included an amount of Rs. 153,790 for the years 1964-65 as receivables from M|s. Valika Woollen Mills, Karachi. The amount had not yet been recovered, inspite of the fact that court had decreed the amount in favour of POF Audit further reported to the Committee that recovery could be adjusted by the Department. There was unnecessary delay of 20 years. The Department informed that they had requested M|s. Valika to make the payment.

1069. The Committee directed that recovery should be made and position reported within one month to the Committee.

General

1070. The Committee discussed the working of Defence Production Division and asked the Auditor-General to undertake Performance Evaluation of Wah Factories and a report submitted to the PAC.

1071. *Point not Discussed to be Treated as Settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts (Civil and Defence Services), Audit Reports and Commercial Appendix thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 9th March, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 20th July, 1987

Seventeenth Sitting (PAC)

*1002. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present:—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(4) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

(6) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. K.M. Chima, Secretary.

(2) Ch. Abdul Qadir, Additional Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General, Pakistan Revenues.

(5) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

(6) Mr. M. Saleem Siddiqi, Director General, Defence Audit.

Ministry of Finance and Planning Division :

(1) Mr. Manzur Husain, Joint Secretary (Budget).

(2) Dr. M.A. Aghai, Director General (Project Wing) Planning Division.

(3 Mr. Ghazanfarullah Khan, FA (Military Finance).

(4) Mr. Naseer Ahsan, Military Accountant General.

(5) Mr. Muhammad Ashraf, AFA (Military Finance).

1003. *Accounts Examined.*—Accounts pertaining to the Defence Production Division were examined by the Committee during the course of the day.

*Paragraphs upto 1001 pertain to other Ministries/Divisions.

DEFENCE PRODUCTION DIVISION

1004. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Defence Production Division. The following departmental representatives were present :—

(1) Mr. Tariq Mustafa, Secretary.

(2) Mr. Amanur Rehman, Joint Secretary.

(3) Mr. Ghulam Mohiuddin OSD|Section Officer (F&A).

(4) Capt. Javaid Iqbal, (P.N.) DP (Navy).

(5) Group Capt. M. Ashraf Javed, PAF, DP (Air).

(6) Col. Ch. Muhammad Aslam, DDP-I, DGP (Army).

(7) Col. Muhammad Ishaq, DDP-II, DGP (Army).

(8) Mr. Abdul Malik, FA and Member POFs Board.

(9) Mr. Muhammad Afzal, DICR and Member POFs Board.

(10) Mr. Muhammad Bilal, MD (Wah Industries Limited).

(11) Mr. Abdul Tawab Malik, A|DW&CE (DP).

1005. This Division controlled the following grants :—

Sl.No.	Name of Grant	Grant No.
	1983-84	
1.	Ministry of Defence (Function 112 only)	29
	1984-85	
1.	Defence Production Division	30

APPROPRIATION ACCOUNTS (CIVIL) 1983-84

1006. *Grant No. 29—Defence Production Division* (*Page* 251-*AA*).—This grant closed with an excess of Rs. 21,707. The Committee after going through the explanation of the Department recommended the excess for regularisation through Excess Budget Statement.

1007. The Committee observed that this grant was controlled by three Divisions of the Ministry of Defence *viz*. Defence Division, Defence Production Division and Aviation Division. This caused confusion in matter of control and verification of accounts. The Divisions were, therefore, advised to divide this grant among the divisions and this matter should be kept in view at the time of formulating the budget, in future, to avoid any confusion.

APPROPRIATION ACCOUNTS (CIVIL) 1984-85

1008. *Grant No. 30—Defence Production* (*Page* 246-*AA*).—In this case there was an excess of Rs. 59,141. The Committee recommended this excess for regularisation through Excess Budget Statement.

AUDIT REPORT (CIVIL) 1983-84

1009. *Loss of Rs.* 248,431 *due to purchase from abroad* [*Para* 2 (2) (*v*), *page* 50-*AR*].—According to Audit Report the cloth "Barathea Blue" required for passing out Parade was purchased from abroad, although it was available in Pakistan. Thus the Government sustained a loss of Rs. 248,431. The Department explained in reply that it was urgently required for passing out parade and was not available in Pakistan. The Chairman PAC observed that preference should be given to Pakistan made goods. The paragraph was settled.

1010. *Loss of Rs.* 132,093 *due to purchase of stores from abroad* [*Para* 3 (2) (*iv*), *page* 51-*AR*].—Audit pointed out that a demand was placed for stores by P.A.F. in November, 1973 and an order was placed on a firm after inviting tenders. Later on demand was enhanced and the firm raised its rates. Consequently indent had to be crossmandated abroad resulting in a loss of £ 5283.73 (Rs. 132,093). The Department reported to the Committee that certain quantity of "Micro Filter" was required by Air Force. Two Offers, were received and processed, the demand was placed. The original indent was, however, changed after one year. Since no competition was forthcoming, it had to be crossmandated. An inquiry had, however, been ordered to look into reasons of delay.

1011. The Committee directed to verify the enquiry as to how for the issues raised by Audit had been dealt satisfactorily.

AUDIT REPORT (DEFENCE SERVICES) 1983-84

1012. *Loss due to wrong delivery of Wagons of Wheat Rs.* 3,310,424 [*Para* 40 (*c*), *page* 22-*ARDS*].—As per Audit Report, 154 Wagons of Wheat (imported) were despatched by a consignor during 1978-79 and were wrongly delivered to Civil Agencies. Recovery from Provincial Government had not been made. The Department reported that during 1978-79, these Wagons were booked for Gujranwala but some how reached Sialkot and delivery was taken by Provincial Food Department. Since then Food Department had regularly been asked either to pay the cost of Wheat or to return the Wheat, but nothing was done, although they had accepted receipt of consignment. Audit pointed out that the Ministry of Finance may examine, if the amount could be adjusted against amounts due to Provincial Government.

1013. The Chairman PAC observed that it was a procedural lethargy and enquired as to when Provincial Government was approached. The Department informed that it was in 1984 when the Railway Department did not accept the claim. Many reminders had been issued, but Food Department of Punjab Government was silent. Total Tonnage of Wheat was 3560 Tons. The Chairman observed that the Department did not initiate action, before Audit took it up through Draft Para.

1014. The Committee directed that the Ministry of Finance may help in recovery of the amount from Provincial Government. The case must be settled within one month. Railway should report the circumstances under which consignments were incorrectly delivered. Audit should verify that Wheat was properly accounted for in the stocks of Provincial Governemnt. The paragraph was deferred.

COMMERCIAL APPENDIX—1983-84

1015. *Loss of Rs. 2,069,337 due to cancellation of Agreement on Abandoning of Work by the Contractor (Para 8, page 5-Commercial Appendix)*.—P.O.F. awarded a Civil work at an estimated cost of Rs. 11,604,980 to a Contractor in May, 1976 to be completed by November, 1977. Contractor could not complete work despite grant of extensions upto March, 1979. P.O.F. cancelled contract in June, 1979 when 93 per cent work valuing Rs. 10,751,060 had been executed. Remaining work valuing Rs. 0.85 million alongwith defects removal work valuing Rs. 0.92 million was awarded to another contractor at a cost of Rs. 3.2 million at risk and cost of defaulting contractor. After adjusting contractors security deposit and retention money, Rs. 2 million remained to be recovered. Management failed to invoke Performance Bond for Rs. 0.65 million. Loss could have been reduced had vigilance exercised during execution of work of defaulting contractor because removal of defects costed Rs. 920,746 later. The Department explained that the contractor had gone to the Court of Law. The matter was subjudice and there was nothing un-usual. Audit suggested that a departmental inquiry should be held to see if there was any manipulation. This inquiry had nothing to do with Court case. The Department on a question from a member informed the Committee that there was a performance bond which was invoked, but the contractor went to Court of Law and the case became sub-judice. The member again suggested that an inquiry must be made in this case, which will also point out defects in existing procedure.

1016. The Committee directed that an inquiry may be held in this case. The Department should associate Audit in holding this inquiry. The Report should be submitted within one month.

1017. *Loss of Rs. 1,061,573 due to abandonment of work by the Contractor (Para 9, page 6-Commercial Appendix).*—As pointed out by Audit, a Civil work was awarded to a Contractor at an estimated cost of Rs. 6 million in March, 1977 to be completed by June, 1978. Extensions were granted upto July, 1979 due to various factors. Contractor abandoned the work 36 days before last date of last extension, after executing work valuing Rs. 5.8 million on the place that he had already executed the work in excess of the quantities provided. Contract was cancelled on 15th July, 1979 and left over work was awarded to another contractor and got completed at a cost of Rs. 1.8 million at risk and cost of defaulting contractor. Rs. 1.061,573 stand recoverable from defaulting contractor. Performance Bond valuing Rs. 350,000 was also not honoured by the insurance company. Case remained with the Court since 8 years. The Department while explaining the case reported that the insurance company, instead of honouring the performance bond, tried to wringle out of its responsibilities. The matter was presently in a Court of Law.

1018. The Committee directed that an inquiry may be held in this case. A representative of Audit should also be associated with the inquiry. The report of inquiry should be submitted within one month.

1019. *Non-recovery of Risk Purchase Amount—Rs. 241,355 (Para 12, page 8-Commercial Appendix).*—Audit reported to the Committee that P.O.F. awarded contracts for procurement of different stores (Steel items) to two different firms for Rs. 345,550 and Rs. 1,238,000. The firms failed to supply stores and contracts were cancelled and awarded to other contractors at a cost of Rs. 428,850 and Rs. 1,467,955 at risk and cost of defaulting firms. In the process, P.O.F. suffered loss of Rs. 73,300 and Rs. 168,055, after adjustment of security deposits. Departments could not recover risk and cost money because defaulting firms were not traceable. The Department reported the Committee that all out efforts were made to locate the firms and recover the outstandings. The Management remained in close contact with Police S.P. and D.I.G. level, but failed to locate defaulters. The Justice Division had been approached for advice in the matter.

1020. The Committee directed that an inquiry may be held by Department and Audit and report submitted to P.A.C. within one month.

1021. *Loss of Rs. 195,537 due to short receipt of material (Para 13, page 9-Commercial Appendix).*—Audit pointed out that in 1981, P.O.F. executed a contract with National Fertilizer Corporation for supply of 1387 M. Tons of Sulphur. NFC's supply through Railways was short-received by 86 M. Tons valuing Rs. 195,537. Claim was lodged with Railways in December, 1981 which remained unsettled todate. The Department reported to the Committee that the matter had since been taken up with Railways, but had not been finalized.

The Chairman PAC wanted to know, if the seals of Wagons were intact? The Department informed that it was not known. It appeared that seals were intact as no body pointed out. The material was either short landed or short loaded. The Committee directed that inquiry should be held with association of Audit and inquiry report, submitted to P.A.C. within one month.

1022. *Loss of Rs. 21,513 due to purchase of Milk Powder at higher rates and expected loss of Rs. 36,725 due to deterioration of Milk Powder (Para 14, page 10-Commercial Appendix).*—As per Audit a formation entered into contract with a firm to supply 10600 KG of Milk Powder at a rate of Rs. 16.48 Per KG in four instalments from July, 1980. It received 3 instalments by April, 1981 and 4th instalment was cancelled due to piling up of stock in July, 1981. After 1½ month, 8000 KG was purchased from another contractor at rate of Rs. 25 Per KG resulting in an extra expenditure of Rs. 21,513. Besides, 1469 KG of milk purchased from second Contractor was held in stock for two years which should have become unfit for human consumption. It reflects incorrect assessment of requirements. The Department contested Audit point of view. The Committee accepted the explanation of the Department and settled the paragraph.

AUDIT REPORT (DEFENCE SERVICES) 1984-85

1023. *Unnecessary grant of price escalation: Rs. 1.92 million (Para 46, page 46-ARDS).*—Audit pointed out that an order for supply of 10,600 number of 15 feet long towing ropes was placed in June, 1977. Changes and rechanges in specifications consumed 6 years giving rise to escalation claim of Rs. 1.9 million by supplier. There was no real necessity to change specification as firm was asked to supply ropes of either specification in 1981, who supplied ropes of revised specification and was paid Rs. 1,923,175 as price escalation. The Department reported that the specifications in this case were changed by the officer, who was an authority in such technical matters. There was no bad intention and every thing was done in good faith. Technical people could change any specification according to requirements. The decision of technical Authority could not be questioned. Audit pointed out that all this process took six years. The Chairman, PAC observed that it was due to wrong planning. The system was required to be reviewed.

1024. Chairman PAC observed that this irregularity pointed out by audit reflected very serious defects in the whole system. One wrong of malafide decision of an official had caused a loss of Rs. 20 lac to the Public exchequer and no one was being held responsible and answerable. This warranted an immediate review of the whole system to prevent repetition of these blunders. A committee comprising of members of Public Accounts Committee, Finance and Audit will enquire into the whole affairs. It will also look into the defects in system and will fix responsibility in this particular case.

1025. *Avoidable extra expenditure of $ 22,450 and Rs. 4,200 due to acceptance of higher rates (Para 48, page 47-ARDS).*—Audit pointed out that tenders for supply of Grawler Tractors were called for and two lowest offers were received as below:

1st lowest $ 100,686 .. .. .. M/s. Shah Nawaz Ltd.

2nd lowest $ 101,143 .. .. .. M/s. Jaffer Brothers.

1026. 2nd lowest offered 5 per cent discount within the extended validity period. Firm was asked to offer substantial discount for consideration of their offer who reduced their offer by 8 per cent and resultantly became first lowest. But the firm was not awarded contract which caused an extra expenditure of $ 22,435 and Rs. 4,209 to Government. The Department did not agree with the Audit point of view and reported to the Committee that offer of revised discount was a post tender offer and as such could be taken into account and tenders of 1st lowest offer were accepted. Audit, however, held that rules of the Department were very clear, either these should be observed or changed. The Committee accepted the explanation of the Department and settled the paragraph with the direction that procedures should be strictly followed in future.

1027. *Short recovery of Water and Fuel adjustment charges Rs. 1.29 million [Para 50 (a) and (b), pages 50-51-ARDS].*—According to Audit, rates of water charges for unmetered supply were enhanced in May, 1980. A MES formation continued charging at old rates till 1985 resulting short recovery of Rs. 191,022 out of only Rs. 5,667 had been recovered todate. Fuel charges were also revised in 1980 and formation failed to recover Rs. 1,094,010 for the period 1981—83. Only Rs. 6,541 have been recovered so far. The Department reported to the Committee that all attempts were being made to recover the amounts. The disciplinary cases were also being processed, where required. The Committee directed that the recovery should be expedited and got verified from Audit.

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1028. *Extra expenditure of Rs. 809,000 due to delay in procurement of foreign material (Para 8, page 5-Commercial Appendix).*—According to Audit, in 1981, a formation signed a memorandum of understanding with a Gas Company for laying 8" dia pipeline for an Industrial Unit. A contract agreement at a cost of Rs. 10.69 million for construction and laying of pipeline valid upto June, 1982 was signed by two parties, which included penalty clause for escalation. Formation was to supply imported pipes and other installation material within 12 to 16 weeks which it failed to supply in time. Resultantly contract value had to be raised to Rs. 11.5 million as per escalation clause of the agreement and extra-expenditure of Rs. 809,000 was incurred. The Department informed the

Committee that performance bond was invoked, but the contractor went to the Court of Law and the matter was *sub-judice*. There was nothing unusual in it. The Paragraph was settled subject to verification by Audit.

1029. *Loss of Rs.* 145,229 *due to rejection of* 1100 *KG Alluminium Alloy Tube* (*Para* 10, *page* 6-*Commercial Appendix*).—As per Audit, in 1983, a contract was made with a foreign firm for supply of 1100 KGs Alluminium Alloy Drawn Seamless Tube conforming to specification B-5. 1471 HT at DM 25.10 Per KG valuing DM 27,610. Material received was rejected as it did not conform to specification. Supplier firm was bound to replace it which it did not. Thus it had resulted in a loss of Rs. 145,229. The Audit further reported to the Committee that the material was purchased in 1983 by placing an order on foreign firm when it was not required. It was rejected in 1984 and accepted in 1987. The Department informed the Committee that Testing Authority approved the material. It was a continuous process, material was purchased in bulk lots and will be consumed in due course. The Committee directed that the Department should be more careful in future and settled the paragraph.

1030. *Non-recovery of Rs.* 106,773 *on account of Risk Purchase from a defaulting firm* (*Para* 11, *page* 7-*Commercial Appendix*).—According to Audit Report, in a defence formation a contract for supply of 4700 meters of seamless steel galvanized pipe at a cost of Rs. 769,177 was awarded to a firm in May, 1983. Supply was to be completed in October, 1983. No Security Deposit was obtained. Firm did not supply hence a new contract for supply of the same store was concluded with another supplier at higher cost of Rs. 875,950 at risk and cost of the defaulting firm. Resultantly formation had to incur an extra-expenditure of Rs. 106,773. The Department intimated that a departmental court of inquiry was conducted in this case and the officer and staff responsible were warned. A suit had also been filed in the court against the firm. Audit observed that some body was responsible and he must be punished.

1031. The Committee directed that the case should be reviewed and final action got verified by Audit.

1032. *Extra-Expenditure of Rs.* 64,010 *due to Risk Purchase of Electrical Stores* (*Para* 12, *page* 7-*Commercial Appendix*).—Audit pointed out that in June, 1982, a contract was awarded to a firm for supply of 3 items of electrical stores at a cost of Rs. 8,522 by August, 1982. Two of the three items of stores were rejected but firm did not replace these items. A new agreement for supply of one of the two rejected items was made with another firm at exorbitant cost of Rs. 70,200 at risk and cost of defaulting firm. After adjustment of original firm's dues held with the formation, Rs. 64,010 had to be incurred an extra-expenditure on procurement of a single item. The Department reported that a case had been filed in a Court of Law for recovery. The Committee directed that Audit should verify the final action of recovery. The Paragraph was settled.

1033. *Loss of Rs.* 44,942 *due to purchase of defective stores* (*Para* 13, *page* 8-*Commercial Appendix*).—As per Audit a contract was executed with a foreign firm for procurement of 5 store items at a cost of DM 12,395 in April, 1983. 3 of the 5 items of stores received were rejected but the firm did not replace these items. Thus the formation sustained a loss of Rs. 44,942. Department in reply has stated that rejected items had been accepted on re-inspection which did not seem true, because user's section has also rejected these stores which were lying unused. The Department informed the Committee that the material was in regular use and there was no complaint about it. The Audit observed that department stand was not correct, it should be re-checked. The Committee recommended that the P.O.F. may be made a Commercial Organisation. The Paragraph was, however, settled subject to verification by Audit.

1034. *Non-recovery of rent amounting to Rs.* 16,750 *from* Ex-*employee* (*Para* 14, *page* 9-*Commercial Appendix*).—According to Audit an Officer who retired in July, 1983, retained Government accommodation till April, 1985. All his dues were paid to him, although he failed to deposit monthly rent upto the date of vacation of house. This amount of Rs. 16,750 remained un-recovered. The Department informed the Committee that inquiry was held to fix responsibility and to recover the amount. Action was being taken. The Committee settled the Paragraph subject to verification by Audit.

1035. *Transit Losses—Rs.* 777,000 (*Para* 45, *page* 28-*Commercial Appendix*).—According to Audit, transit losses on Factory stores had formed a regular feature in P.O.F. Wah. This loss was Rs. 777,000 during 1984-85 as compared to Rs. 635,000 during 1983-84. Preventive measures were required to be taken to avoid such losses. The Department informed the Committee that measures were in hand to check these losses. The Committee observed that the position would be examined with the next years report.

1036. *Increasing Stocks and Stores Balances over the years* (*Para* 46, *page* 28-*Commercial Appendix*).—Audit pointed out that closing balance of stock, which was Rs. 1,399,764 in 1982-83, increased to Rs. 1,725,057 during 1983-84 and was Rs. 2,406,145 at the end of 1984-85. This was required to be checked to avoid losses due to obsolescence and blockade of Funds. The Department promised to look into the situation. The Committee settled the Paragraph and observed that position should be reported in next year's Account.

1037 *The Balance of Stores and Spares* (*Para 79, page 64-Commercial Appendix*).—Audit observed that the balances of stores and spares increased from Rs. 2 million to Rs. 5 million showing an increase of 156 per cent. Similarly stock in trade rose from Rs. 3.76 million to Rs. 5 million showing an increase of 34 per cent during the year. The Department informed the Committee that the increase was due to increase in production activity. The Paragraph was settled.

1038. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts and Audit Report thereon. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

K. M. CHIMA,
Secretary.

Islamabad, the 6th January, 1988.

FEDERAL COUNCIL SECRETARIAT

Sunday, the 6th January, 1985

Eleventh Sitting (PAC)

*1678. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present:—

P.A.C:

(1)	Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan	*Member, (Acting Chairman).*
(2)	Syed Saieed Hasan, Member, Federal Council	*Member.*
(3)	Akhunzada Barahwar Saeed, Member, Federal Council ..	*Member.*
(4)	Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council.	*Member.*
(5)	Mr. Abdul Qadir, former Chairman, Railway Board ..	*Member.*
(6)	Mr. Uusuf Bhai Mian, Chartered Accountant	*Member.*

Federal Council Secretariat.

(1) Mr. M. A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Syed Muhammad Ahmed, Assistant Secretary.

Audit:

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord.).

(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.

(6) Mrs. S. N. Sheikh, Director General, Commercial Audit.

(7) Mr. Iftikhar Ali Khan Raja, Director General, (A. A. Works), Lahore.

(8) Raja M. Saleem Khan, Director, Foreign Audit.

*Paragraphs upto 1677 and 1679 to 1841 pertain to other Ministries/Divisions.

(1) An amount of Rs. 2,842,450 relating to the Aviation Division, Peshawar, was recoverable from the contractors who failed to complete the works awarded to them within the stipulated extended time limit. It was replied by the Ministry that further extension of time was granted by the competent authority and as such liquidated damages were not recoverable.

Keeping in view the Audit comments thereon, the Committee decided to drop this sub-paragraph subject to verification by Audit.

(2) An amount of Rs. 683,025 pertaining to Aviation Division, A.D.A.. Lahore as liquidated damages was not recovered from certain contractors.

The Division furnished the same explanation as given in item (1) above.

Questioned as to who was the competent authority to issue extension, the departmental representative replied that the Director concerned extended the time.

1846. After discussion, the Committee decided that the Audit should get detailed explanation from the Ministry. Subject to verification by Audit the sub-paragraph was dropped :

(3) It related to the Aviation Division No. 1 Rawalpindi. An amount of Rs. 245,530 was to be recovered from a contractor. The Division stated that the work was completed within the extended time. Liquidated damages were not payable by the contractor.

1847. The Committee decided to drop the sub-paragraph subject to verification by Audit :

(4) As reported by Audit, 8,265 cement bags worth Rs. 459,860 (purchased and charged to the account of work at Lahore Airport) were issued to certain contractors, and by another division of the Agency at Rawalpindi (for use in other works). No recovery of the cost of cement was effected from the parties concerned.

1848. It was stated by the Ministry that the correct quantity or bags of cement should be 8,565 and not 8,265. Commenting on the reply, Audit pointed out that the recovery of 2,785 bags had been verified. Recovery of 2,840 bags would be verified. Outstanding recovery of 2,940 bags may be effected expeditiously and record produced to Audit.

1849. Replying to a query, the departmental representative submitted that the system of internal audit had been introduced to check irregularities.

1850. *After discussion, the Committee directed that outstanding recoveries should be effected and the department should lay down procedure for detecting irregularities and taking necessary action against those at fault. A copy of the same should be furnished to Audit* :

(5) Steel worth Rs. 13,182 was issued to the contractors for use in works awarded to them ; but no recovery was made. The Division stated that the cost of steel had been recovered and the relevant records were available for checking by C.A.O. The case was under arbitration. The sub-paragraph was, therefore, treated as dropped subject to verification of recovery by Audit.

(6) Subject to verification of departmental reply By Audit, the sub-paragraph was dropped.

(7) Recovery of mobilization advance of Rs. 209,000 paid to a contractor in July, 1974 was not made. It was stated by the Division that out of total advance of Rs. 209,000, the recovery of Rs. 194,348 had been made. The remaining recovery of Rs. 14,652 had also been recovered from the final bill which was pending for adjustment due to litigation in the court of law on the award of Arbitrator. *The Committee directed Audit to check and verify recovery.*

(8 to 12) These sub-paragraphs were dropped subject to verification by Audit. (13) to (16), (19) and (20). The Committee decided to drop these sub-paragraphs as Audit recommended by their settlement.

(17) According to Audit, contract for the supply of 66,900 cft. Crushed stone awarded to a contractor was left incomplete by the Supplier after receiving payment for supply of 13,635 cft. Further supply worth Rs. 87,762 was obtained from another contractor at highest at rates, involving aditional expenditure of Rs. 21,402. It was explained by the Division that Security Deposit of Rs. 4,640 of the contractor had been forfeited. A notice to the contractor for payment of the remaining amount was, however, being issued.

1851. After some discussion, the sub-paragraph was dropped subject to verification by Audit :

(18), (21) to (24) After having gone through the replies of the Division and the Audit comments thereon, these sub-paragraphs were treated as dropped, subject to verification by Audit.

1852. *Losses of stores/cash* (*Rs. 2,484,979*) (*Para 2, page 60-AR*).—Audit, had reported some cases of misappropriation or non-accountal of cash and stores. ADA had failed to finalize investigation to fix responsibility and to produce record showing the accounts in the cases referred to in the following paragraphs :—

(1) (i) Bitumen, crushed stone and sand costing Rs. 174,633 were purchased in March, 1975, and charged to the accounts of a work. The material was not taken on stock register. The departmental representative informed the Committee that the inquiry for not taking the material in the Stock Register and its subsequent utilization had been ordered and its outcome would be submitted to PAC on its finalization. The record was not available but every effort was being made to establish the fact.

1853. *After discussion, the Committee took the following decisions* :—

(a) *Inquiry should be completed expeditiously, Details with dates of each development should be furnished in reply.*

(b) *Those responsible for not having taken prompt action on Audit paragraph should be dealt with appropriately.*

(c) *The department must ensure that consumption records are maintained properly in future and are kept up-to-date.*

A detailed report on the above points should be submitted to PAC. The sub-paragraph, was, therefore, deferred :

(ii) Subject to verification by Audit, the sub-paragraph was dropped.

(iii) Subject to the satisfaction of Audit, the sub-paragraph was dropped.

(iv) Audit made out in their comments that the production of the Measurement Book may be expedited for verification by Audit. The Committee decided that the sub-paragraph be deferred.

A member of the Committee observed that the working should be improved and consumption record be maintained correctly. These sub-paragraphs *i.e.* (v) to (xiii) were treated as dropped subject to satisfaction of Audit who would report back, if necessary.

2 (2) (i) Subject to verification by Audit, the sub-paragraph was dropped :

(ii) In view of the reply of the Ministry and the Audit comments thereon, the Committee decided to drop the sub-paragraph subject to verification by Audit.

2 (3) The reply of the Ministry was acceptable to Audit. The Committee, therefore, decided to drop the sub-paragraph.

2 (4) The Committee desired that the progress of the matter which was already in the Court of Law, should be watched by Audit. Subject to verification by Audit, the sub-paragraph was treated as dropped.

2 (5) (i) to (iii) In view of the comments of Audit, the Committee decided that the sub-paragraphs be treated as settled.

2 (6) In the light of the Audit Committee the Committee decided to drop the sub-paragraph subject to satisfaction and verification by Audit.

2 (7) (i) Questioned as to what was the position of Inquiry, the departmental representative replied that it was started. All the spare parts were available.

Subject to verification and satisfaction of Audit, the sub-paragraph was dropped.

(ii) Subject to verification by Audit the sub-paragraph was treated as settled.

2 (8) (i) Since the reply was acceptable to Audit, the sub-paragraph was treated as settled.

(ii) Audit informed the Committee that the reply of the Division was to be verified by Audit. The sub-paragraph was dropped subject to verification by Audit.

2 (9) The Division informed the Committee that the discrepancy of the short receipt of the Bitumen was under investigation. The factual position would, however, be intimated when arrived at.

The Committee decided that the sub-paragraph be treated as deferred. Audit would watch the progress.

1854. *Outstanding Recoveries of Rs. 5,981,680 (Para 3, page 64-AR).*— In the cases detailed in the following paragraphs heavy amounts were awaiting recoveries from other formations of Airport Development Agency and its own employees :

(1) According to Audit idle charges of machinery deployed from 1970 to 1978 on a project (undertaken by another formation of the Agency as contractor) were not recovered in contravention of the terms and condition of hiring of machinery (approved by the Executive Board of Directors of the Agency). Recovery was waived off by the Managing Director of the Agency who was not competent to do so. The Division stated that the Managing Director was fully competent to shift the machinery from one place to another. Audit persisted that the terms and conditions for hiring of machinery were approved by the Board of Directors and as such the sanction of the Board was necessary for waiving off the recovery.

After discussion, the Committee decided that subject to the approval of the Board to the waiver of the idle charges and subject to verification by Audit thereof, the paragraphs was treated as dropped.

3 (2) and (3).—The Committee dropped these sub-paragraphs as recommended by Audit :

3 (4) to (6) The Committee directed that maximum possible efforts should be made for recovery. It was further decided that subject to verification and satisfaction of Audit, these sub-paragraphs be treated as settled.

3 (7) Audit had reported that an expenditure of Rs. 31,550 incurred on carriage of cement (from October, 1978 to December, 1978) from Wah to Multan, Lahore and Dera Ismail Khan Airports was irregularly charged to the accounts of a work at Peshawar Airport. Moreover, recovery of Rs. 89,310 being the cost of 143 tons of cement, transferred to other formations of the Agency, was not effected.

The Division explained that out of 143 tons cement 120 tons were supplied to the Deputy Director (P), Aviation Division, ADA, Lahore and the remaining 23 tons were issued to Yakoob Brothers. The Deputy Director (P) had paid the cost of 70 tons. Transportation charges, too, had been paid. Similarly the cost of cement *plus* cartage charges for 23 tons issued to Yaqoob Brothers stood recovered and credited to the proper head. The cost of remaining 50 tons of cement was being recovered from various works by the Deputy Director, Lahore.

Subject to verification by Audit the sub-paragraph was dropped.

3 (8) The Committee decided that subject to verification by and satisfaction of Audit, the sub-paragraph be dropped.

3 (9) In view of the verification of recovery by Audit, the sub-paragraph was treated as settled.

1855. *Undue payment of Rs. 642,468 on account of escalation charges* (*Para 4, page 65-AR*).—As reported by Audit, in two cases undue payment amounting to Rs. 642,468 was made to contractors. Recovery thereof should be expedited and disciplinary action be taken against the defaulters :

(1) Audit further pointed out that the irregularity of payment of Rs. 642,468 had been admitted by the Ministry. But Prospects of recovery had been dimmed by the delay of 9 years. Audit had reported the case in May, 1975.

(2) Audit also felt that disciplinary action should be taken against the officers the allowed payment of undue escalation.

The Committee observed that the matter was very serious and directed that both the items in paragraph 4 be deferred and a full report be furnished to Audit and the PAC.

1856. *Loss of Rs. 7,950 due to interpolation in record, misuse of funds and non-accountal of furniture worth Rs. 122,500* (*Para 5, page 65-AR*).—Commenting on the reply of the Division, Audit asked that immediate investigation may be conducted by the Division in the irregularities as suggested in the Audit paragraph and a comprehensive report be furnished to Audit.

1857. *The Committee agreed with the above comments of the Audit and directed the departmental representative to comply therewith. The sub-paragraph was deferred.*

1858. *Mis-appropriation of Cement Worth Rs. 183,180* (*Para 6, page 66-AR*).—The Committee was informed that an investigation had been ordered for determining responsibility for the mis-appropriation. The outcome of the inquiry would be submitted to Audit and PAC. *In view of the above position, the Committee decided that the paragraph be deferred.*

1859. *Irregular award of works costing Rs. 417,391 to contractors without calling tenders (Para 7, page 66-AR)*.—In an ADA division, contracts costing Rs. 417,391 were awarded to different contractors between March, 1979 and June, 1980 without inviting open tenders. The Government was thus deprived of the benefits of obtaining competitive rates through wide publicity.

1860. The irregularity was pointed out to the Agency during local Audit in September, 1980 and January, 1981. It was also brought to the notice of the Administrative Ministry in April, 1981 and January, 1982; but neither has condonation of the irregularity been obtained nor any action taken against the officers at fault.

1861. Commenting on the detailed reply of the Division, the Audit reiterated that the irregularity of awarding works without calling of competitive tenders as per requirements of codal rules may be get condoned from the competent authority.

1862. A member of the Committee observed that not one of the answers given by the Division was satisfactory.

1863. *The Committee, therefore, directed that the officer concerned should be asked to explain as to why he had not invited any tenders. Further action may be taken in the light of his explanation. The sub-paragraph was deferred.*

1864. *Double payment of Rs. 10,710 (Para 8, pages 66-67-AR)*.—The Committee was informed that the amount had been recovered and the double payment was not intentional but through an oversight. However, the Disbursing Officers and the Accountants had been warned to be more vigilant and careful while making payments to the contractors|and suppliers so that such error may not be Committed again.

1865. A member of the Committee enquired as to whether the department carried out the concurrent audit, the Audit representative replied in the affirmative. The paragraph was dropped subject to verification of recovery by Audit.

1866. *Expenditure incurred on works in anticipation of technical sanction (Para 9, page 67-AR)*.—After obtaining certain information from the departmental representative, the Committee decided to drop the paragraph subject to satisfaction of and verification by Audit.

1867. *Audit comments on Annual accounts of Airport Development Agency [Para 10 (1), page 67-AR]*.—Audit had reported that annual accounts of the Agency for the year 1981-82 had not yet been audited by the Commercial Auditors. It was stated by the department that the annual accounts had already been audited well in time by the Commercial Auditors and were submitted to the Board of Directors for approval in the month of July, 1983. The approved accounts had been submitted to Audit.

1868. Since the above reply of the Division was acceptable to Audit, the Committee did not make any further observation and the paragraph was dropped.

1869. *Audit comments on the annual Accounts for the year 1978-79, 1979-80 and 1980-81 [Para 10 (2), page 68-AR].*—No material observation was made by the Committee except that accounts for 1983-84 should now be produced to Audit.

1870. *Irregular Purchase of Vehicles [Para 10 (2) (I), page 68-AR].*—Audit had reported that two Motor Cars were purchased for Rs. 550,699 during 1980-81 from private persons and not from open market or from the authorized dealers. These were purchased immediately after their custom clearance at Karachi, from the persons who imported them. Similarly, three motor cars costing Rs. 557,000 were purchased during 1979-80.

1871. Audit further reported that under the rules, these vehicles were not transferable as they could not be sold within two years from the date of their Clearance. The agency had thus been deprived of the benefit of obtaining competitive rates and free service guarantee usually offered by authorized dealers.

1872. The Division explained that two cars were purchased during 1980-81 and only two cars were purchased during 1979-80 and not three. At the time of the purchase, import of cars was not allowed to individuals except under personal baggage scheme or gift scheme. The Division further stated that the prices of cars were based on verifiable competitive market rates and this process continues. No doubt there was a restriction on sale of cars for two years, but ultimately these restrictions were withdrawn by Government. Audit persisted in maintaining that the irregularity needed to be condoned with the sanction of competent authority. The Departmental representative further informed the Committee that cars were not imported by the Government of Pakistan, and the purchases were infact made in the open market.

1873. *After discussion, the Committee directed that this should be gone into and the full facts, covering comparable prices of the cars, who was authorized to buy the expensive cars, and the Government procedure, be furnished to Audit, who will come to the PAC, if they are not satisfied. Otherwise the paragraph will be deemed to have been settled.*

1874. *Physical Verification of Assets [Para 10 (2) (II), pages 68-69-AR]*.—Audit had reported that the priced assets stores and spares were not physically verified and that the department did not provide any information regarding inventories and fixed assets of Al-Kharj Project in Saudi Arabia for the year 1980-81, and their existence and the value reflected in the Balance Sheet could not be verified.

1875. The Division stated that physical verification of assets had since been completed except in Lahore Circle. The Director Works, ADA, Lahore had been asked to expedite completion of this assignment. As far as physical verification of fixed assets of Al-Kharj Project was concerned, the assets were with Al-Hussaini ADA, who had used them for completing the Project.

1876. *After deliberations, the Committee directed that physical verification of Lahore Circle should be completed within one month. The Sub-paragraph was dropped subject to verification by Audit.*

1877. *Loss on Gujranwala Project [Para 10 (2) (III), page 69-AR]*.—Audit had reported that there was losses of a total of Rs. 8,158,401 in respect of Gujranwala Project which were charged to the income and expenditure account for the years from 1977-78 to 1980-81. Audit asked for the reason for the losses and that action be taken to prevent their recurrence.

1878. The Division contended that the figures of loss on Gujranwala Project regarding the fiscal year 1978-79 and 1980-81 as shown by Audit were not correct. The factual position was that there was losses of Rs. 1,729,729 and profit Rs. 804,478 with a net loss of Rs. 925,251, and that the position as indicated by Audit was not correct. The Division further stated that in fact the accounts of the Gujranwala Project had not yet been finalized due to dispute with MES on finalisation of various receipts. Besides, some court cases were still pending for decision.

1879. A member of the Committee observed that both the Audit and the department should agree on the figures because that was a question of fact. *The Committee, therefore, directed that both the Audit and the department should sit together and reconcile the figures and then come to PAC for decision. The paragraph was deferred.*

1880. *Un-utilized Funds [Para 10 (2) (IV), page 69-AR]*.—Audit had reported that as per Balance Sheet, funds amounting to Rs. 50,205,613 provided to the Agency by various clients including Rs. 29,770,825 by government remained un-utilized at the end of 1980-81. Audit further reported that under the approved procedure for the release of Government funds unspent balance was required to be credited to Government at the end of the financial year.

1881. The department claimed that there was no requirement by the Ministry of Defence, for refund of the unspent monies. The department further stated that the funds were released in advance to ADA for execution of specific schemes and these funds were charged to final head by the Government.

1882. Audit maintained that the prescribed procedure for re-deposit of the unspent balance at the end of a year was approved by the Comptroller and Auditor-General of Pakistan. It was issued in January, 1976 to all concerned including Ministries of Defence and Finance, State Bank of Pakistan and National Bank of Pakistan. It should have been complied with by the Agency, unless special exemption was given.

1883. *The Committee felt that the procedure referred to by Audit did not seem to be applicable to a limited company if it is desired that it should be so applicable, there should be clear cut instructions from Government. The paragraph was, therefore, deferred.*

1884. *Provision for Bonus* [*Para 10 (2) (V), page 69-AR*].—Since the explanation of the department was acceptable to Audit, the paragraph was dropped.

1885. *Doubtful debts amounting to Rs. 10 millions* [*Para 10 (2) (VI), pages 69-70-AR*].—Audit suggested in their comments that the recovery of outstanding amount against Pakistan International Airlines should expedited. *The Committee directed Audit to watch recovery.*

1886. *Preparation of two sets of accounts for the year 1978-79* [*Para 10 (2) (VII), page 70-AR*] *Retention of heavy Cash balance in hand* [*Para 10 (2) (VIII), page 71-AR*].—The explanations furnished by the department in respect of the above-mentioned two paragraphs were accepted by Audit. The paragraphs were dropped, subject to the satisfaction of Audit.

1887. *Non-accountal of furniture worth Rs. 26,250 during 1978-79* [*Para 10 (2) (IX), page 71-AR*].—The sub-paragraph was dropped as the departmental explanation was acceptable to Audit.

1888. *Outstanding Inspection Reports, Audit Notes etc.* (*Para 11, page 81-AR*).—The paragraph was dropped subject to clearance of outstanding audit documents by the department.

1889. *Non-conducting of Internal Check* (*Para 12, page 81-AR*).—*Committee directed that the Internal Check reports should be furnished to Audit.*

COMPLIANCE ON POINTS CONTAINED IN THE 1979-80 PAC REPORT

Reconciliation of Accounts with Audit (Para 1955, page 483-PAC Report 1979-80)—

Expenditure incurred on the works in anticipation of technical sanction (Para 5, page 20-AR) (Para 1956-1957, pages 483-484-PAC Report 1979-80)—

Overpayment of Rs. 117,413 (Para 7, page 21-AR) (Paras 1960—1963-PAC Report 1979-80)—

Accounts received from various corporations etc. (Para 1970, page 486-PAC Report 1979-80).

Loss of Rs. 78,176 on account of fine (DM 21,265) and infructuous expenditure of Rs. 15,740—(DM 4,167.75) (Para 24, page 29-ARCA) (Para 1971, page 487-PAC Report 1979-80).

Avoidable expenditure Rs. 68,418 on maintenance of flight Kitchen (Para 25, page 30-ARCA) (Para 1972, page 487-PAC Report 1979-80).

1890. After examining the replies of the department and the Audit comments thereon, the Committee decided to drop these paragraphs.

1891. *Non-recovery of cost of stores Rs. 154,626 (Para 6 Page 20-AR) (Paras 1958-1959, page 484-PAC Report 1979-80)*.—The Committee decided to drop the paragraph subject to verification of recovery by Audit.

1892. *Loss of Rs. 100,250 due to undue favour to a contractor (Para 27, Page 32-ARCA) (Paras 1975—1978, pages 487-488-PAC Report 1979-80)*.—After going through the departmental reply and the Audit Comments the Committee did not make any further observation.

1893. The Committee deferred the examination of the Appropriation Accounts and Commercial Accounts to Monday, the 7th January, 1985 at 9.00 a.m.

M. A. HAQ,
Secretary.

Islamabad, the 15th December, 1986.

FEDERAL COUNCIL SECRETARIAT

Monday, the 7th January, 1985

Twelfth Sitting (PAC)

*1894. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice-Chairman.*

(2) Syed Saieed Hasan, member, Federal Council .. .. *Member.*

(3) Akhunzada Bahrawar Saeed, Member, Federal Council .. *Member.*

(4) Mir Jam Ghulam Qadir Khan, of Lesbela, Member, Federal Council .. .. *Member.*

(5) Mr. Masarrat Hussain Zuberi, Former Secretary to the Government of Pakistan .. .. *Member.*

(6) Mr. Abdul Qadir, Former Chairman, Railway Board .. *Member.*

(7) Mr. Yusuf Bhai Mian, Chartered Accountant .. .. *Member.*

Federal Council Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

(1) Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord.).

(4) Mr. Khalid Refique, Deputy Auditor-General (A&R).

(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.

(6) Mrs. S. N. Sheikh, Director General Commercial Audit.

(7) Mr. S. T. Rehman, Director General of Audit, PT&T.

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*Paragraphs upto 1893 pertain to other Ministries/Divisions.

Ministry of Finance :

Mr. Manzur Hussain, Joint Secretary (Budget).

1895. *Accounts Examined.*—Accounts pertaining to the Aviation Division were examined by the Committee during the course of the day.

AVIATION DIVISION

1896. The Committee took up for examination, the remaining portion of accounts *i.e.* Appropriation Accounts and Commercial Accounts pertaining to the Aviation Division. The following departmental representatives were present :—

(1) Mr. Aftab Ahmad Khan, Secretary.

(2) Khawaja Abdul Jalil, Joint Secretary.

(3) Mr. L. J. Contractor, G.M. (PIA).

(4) Mr. M. M. Raza, G. M. (PIA).

(5) Mr. S.A.A. Kazim, D.G. (Met Services).

APPROPRIATION ACCOUNTS

1897. *Grant No. 29—Ministry of Defence-586—Civil Aviation (Page 288-AA)*.—The Committee did not make any observation on this Grant.

1898. *Grant No. 146—Development Expenditure of Ministry of Defence (Pages 290—298-AA)*.—The Appropriation Accounts showed a net excess of Rs. 538,495 under this Grant. It was explained by the Division that it pertained to Grant No. 30-Meteorology (Baluchistan Circle) and had been erroneously booked under this Grant. Audit confirmed that the departmental reply was correct and stated that correction had been made in an Errata.

1899. As regards the saving of Rs. 272,197 under the function "100—Purchase of Durable Goods", the position was explained by the Division as under :—

	Rs.
Weather Surveillance Radar Sialkot and Satellite Readout Station, Lahore :	
(i) Non-receipt of debit against payment made to foreign experts through L/C	109,000
(ii) *Less* expenditure on furniture	197
Seismic Observatory, Khuzdar :	
Non-receipt of debit for purchase of equipment under L/C through DG PI & S	154,000
First Class Surface Observatories :	
Furniture could not be purchased due to financial restrictions *vide* Finance Division (Regulation Wing) Islamabad O.M. No. F. 1(8)-R. 12/81, dated 6-4-1982	9,000
	272,197

1909. *Grant No. 32-Aviation (Pages 314—319—AA).*—This grant was considered and discussed by the Committee on 6-1-1985 as the staff of the Aviation Division had to proceed to Karachi on that date.

1910. The Committee took up for discussion object "900-Miscellaneous Expenditure", where a saving of Rs. 147,814 shown in the published accounts. The Division explained that the saving was due to the fact that no debits on account of contribution and office expenses of Pakistan Representative of ICAO were received by the AGPR before the closing of the financial year 1981-82. The amount had, however, been accounted for in 1982-83.

1911. Audit commented that the non-adjustment of debtis for Rs. 147,814 on account of contribution to ICAO was not pointed out when reconciling Grant No. 32 for 1981-82. There was also no reference to the belated adjustment of these debits in the accounts for 1982-83. The Committee made not further observation on this grant.

COMMERCIAL ACCOUNTS

Pakistan International Airlines

1912. *Non-recovery of outstanding dues (Rs. 5,103 million from a defaulting Agent (Para 12, page 22-ARCA).*—Audit had pointed out that in December, 1976 the P.I.A.C. appointed a firm as Sales Agent in Thatta after obtaining a Bank Guarantee of Rs. 0.05 million. The average monthly sales during the period from April, to June, 1977 were more than Rs. 15 million. The Bank Guarantee of Rs. 0.05 million was quite insufficient to cover the financial risks involved. Audit reported that in view of the increased monthly sales the Corporation decided in June, 1977 to increase the Bank Guarantee to Rs. 4.5 million but the decision was not implemented, although there was a provision in the Agreement with the Agent for an increase of the Bank Guarantee. A cheque dated 15-7-1977 for Rs. 12,086,982 given by the Agent against the sale proceeds for the fortnight ending 30th June, 1977 was dishonoured on presentation to the Bank, Consequent on the non-recovery of the outstanding amount from the Agent, the Agency Agreement was terminated on 19-1-1978 and a case was filed in the Civil Court. The Court decreed in favour of the Corporation but the decree could not be executed due to insufficient assets of the Agent. Subsequently, mortgages to the extent of Rs. 1,350,000 were secured. Against the total amount of Rs. 5,102,747 which was outstanding on 30-11-1978 the total amount of Bank Guarantee and mortgages worked out to Rs. 1,850,000 only. Had an enhanced bank guarantee been obtained earlier a major portion of the outstanding amount could have easily been realized.

1913. The Ministry explained that the Sind Travels Limited were appointed on 21-1-1977 for Thatta area. As Thatta was not expected to produce substantial traffic, the G.S.A. was asked to submit a Bank Guarantee of 0.5 million. The productivity review was carried out in May, 1977 when it was observed that monthly sales of the G.S.A. were far in excess of the financial Coverage and, therefore, the Karachi District Office was advised to raise the Bank Guarantee to Rs. 4.5 million. However, before this decision could be implemented, there was a Martial Law raid on the G.S.A. and two partners of the Agency were put behind the bars.

1914. The department further stated that out of the total decretal amount of Rs. 12,086,982, an amount of Rs. 1,570,722 remained outstanding against the agent. In order to cover the balance amount, PIA had obtained the mortgaged of a Bunglow worth Rs. 1 million and had obtained Bank Guarantee of Rs. 0.5 million. A Suit had already been filed for sale of mortgaged bunglow which was pending in Court. As United Bank Limited had refused to honour its Guarantee, another suit had been filed in the Court for realization of this amount. PIA also mentioned that the remedical measures had been taken and all District Heads had been warned by a circular to carry out regular review of their G.S.A's monthly turnover and ensure adequate financial coverage. At the Head Office level a periodical review was undertaken and bank guarantees were being revised wherever necessary.

1915. Questioned as to what was the final loss or what was recoverable now, the departmental represenatative submitted that Rs. 507,000 was outstanding against which the department had bank Guarantee for Rs. 500,000. The case was in the High Court.

1916. After further discussion, *the Committee directed that the appointment of G.S.A. by PIA should be reviewed regularly and the procedure of appointment stream-lined, to avoid the risk of any mis-appropriation in future. Audit was directed to watch the progress of court case and recovery of outstanding dues.*

1917. *Loss of Rs. 366 587 due to non-recovery of sale proceeds of tickets from an agent (Para 13, pages 22-23-ARCA)*.—Audit had reported that a sales agent of PIA Corporation failed to deposit sale proceeds amounting to Rs. 366,587 for the months of February and March, 1973. Consequently, the Agency Agreement was terminated *w.e.f.* 30-4-1974 but no action to enforce the recovery was taken.

1918. The department stated that the write off action relating to the non-recovery of sales proceeds from the Agent was in process and efforts were being made to finalized it soon. Audit pointed out that write off action could not be taken in eleven years.

1919. On a member of the Committee asking as to why that there was no bank guarantee in this case, the departmental representative replied that in 1972-73 such a requiremenet did not exist. The only problem in taking write off action was initiated in 1978-79, was that the original file had been misplaced and a duplicate file was being constituted.

1920. After seeking further clarification from the departmental representative, the Committee decided that the paragraph be treated as settled subject to verification of write off sanction by Audit.

1921. *Shortage of stores worth Rs. 145,433 due to reported theft (Para 14, page 23-ARCA)*.—Audit had pointed out that on 16-5-1977 a supply officer of PIA reported theft in the paint godown. Arrangements were immediately made for carrying out investigation by Internal Security Staff and Stock-taking by Stock Verifiers during the period from 15-5-1977 to 3-7-1977. The stock-taking revealed shortage of 333 items valuing Rs. 145,433, while shortage of another 153 items was left un-valued. The report of the security officer disclosed that no theft had actually taken place and that the report was lodged by the supply officer just to cover up the shortages.

1922. The departmental representative confirmed the position reported by Audit except that he maintained that the discrepancies were a result of incorrect posting.

1923. Consequently, in accordance with the instructions contained in Chapter XI-B of Supply Manual, the shortages and excesses were adjusted and the net result was written off by competent authorities.

1924. In view of the above reply of the department and the Audit comments thereon, *the Committee directed that Audit should discuss the points in their comments with the department and settle it themselves.*

1925. *Loss of Rs. 1.971 million on account of delays in clearance of consignments (Page 15, page 24-ARCA)*.—As reported by Audit, during 1979-80 PIA imported certain machinery vehicles and equipments in the clearance of which there were un-necessary delays involving huge demurrange charge of Rs. 1.971 million.

1926. The department explained the incurrence of the charges as under :—

(a) Heavy Machinery for Precision Engineering Project was imported from Germany, and the shipping documents were received and filed with Custom before arrival of the vessel. The equipment was liable to Custom Duty and sales tax. Since imposition of Custom Duty would have resulted in increase in the Project cost, the CBR was approached for exemption from duty and sales tax which was granted. Due to late receipt of the exemption, clearance of consignment was delayed and incurred KPT demurrage of Rs. 1,539,859 as againt Custom duty of Rs. 10,779,875 which would have been otherwise payable. This was fact a saving Rs. 9,240,016.

(b)&(c) Custom Authorities withheld Commissory Vans and Citron Vehicles considering non-ground handling equipments liable to Custom duty exemption and PIAC were advised to pay the Custom dues of Rs. 5.6 million. *The case was referred to CBR and decision was given in PIA's favour. Meanwhile storage charges of Rs. 951,528 had accumulated which had to be paid.

1927. A member of the Committee enquired as to what was the value of the Project in which the department exempted from paying custom duty? The departmental representative replied that there were three cases and the department was concerned only with (b) *i.e.* Commissory Vans imported from Germany and not concerned with (a) & (c) because these related to a Precision Engineering Project (Complex) which was a separate entity. A member of the Committee enquired whether the project was a part of PIA. The departmental representative replied that it was attached to PIA, for certain reasons. On enquiring whether it had come within the books of PIA the departmental representative replied that for purposes of accounts only it was there. However, the departmental representative admitted their mistake for the delays in clearance of consignments involving large amount of demurrage charges and informed the Committee, that the department in any case should have got the consignment released by giving the bank guarantee and promised that such incidence would not recure in future.

1928. The explanation was accepted by the Committee without any further observation and the paragraph was treated as settled.

1929. *Incurrence of extra expenditure exceeding Rs. 0.75 million in the execution of a contract, besides unjustified waiving of penalty exceeding to 0.81 million (Para 16, pages 25-26-ARCA).*—Audit had pointed out that in January, 1977 PIA awarded a contract to a contractor for the construction of a Hanger at Karachi Airport at an estimated cost of Rs. 39.18 million, which was the lowest bid out of three bids received in June, 1976. Actually the project comprised of three units *viz.*, Hanger, Annexe Building and External work. The Corporation before awarding the contract, also considered the proposition of sub-division of work and its award on unit-wise lowest basis. It was observed that division of works between two contractors (*i.e.*, construction of hanger through the lowest contractor while remaining units through second lowest contractor) would result in saving of Rs. 557,265 to the Corporation, but this proposition was rejected on the ground that the other contractor was not qualified to do the job although he had already been pre-qualified for the work. All the three contractors were pre-qualified on the recommendation of the consultants after their compliance with the specific criteria laid down for doing the job of this nature. Audit further reported that in reply to the Audit observation issued in October, 1979, the Management stated in December, 1979 that division of work was not considered feasible keeping in view the similar nature of work on a single project.

1930. I was explained by the department that although the other contractors were pre-qualified on the recommendations of the Consultants, a close scrutiny of their individual status revealed that the contractors submitted a misleading information at the time of pre-qualification by giving an impressive list of equipment and organisation. They had not performed any substantial work in West Pakistan and their performance in East Pakistan could not be ascertained. They were not financially sound either. The department further stated that in view of the foregoing facts it was not considered prudent to entrust the job. The Division further stated that although at first instance the feasibility of division of work was worked out and considered beneficial yet on reconsideration it was decided that division of work with particular reference to the project in question would not be appropriate.

1931. The department also explained that according to the Agreement dated 17-7-1977 finalized with the contractor, he had to provide a performance bond equal to 10% of the contract amount from National Insurance Company or a Scheduled Bank and to add 1% to his Unit Price for the additional cost. Instead of allowing the contractor to add 1% to his Unit Price and thus paying Rs. 392,000 an amount of Rs. 222,000 was paid to enable him to obtain the required Bond from the bank. Hence there was a saving of Rs. 170,000 to the Corporation.

1932. Audit reported that it was not clear from the above reply as to why these contractors were pre-qualified by the consultants if their credentials were not fully established. Moreover, the submission of a performance Bond was the contractual responsibility of the contractor. All contractors secure the same from their banks on payment of usual charges.

1933. Replying to a remark made by a member, the departmental representative submitted that the project was of a cost of Rs. 300 million and the department did not have the full finance available them. The work was therefore to be carried out in phases. There were two contractors who were creating a problem. These contractors were required to provide performance bond. The departmental representative further informed the Committee that the two concerned directors of PIA were no longer in service ; the Services of the General Manager and Manager (Project) were dispensed with under MLR-52, and the services of the Manager (Airport) were terminated. As the concerned officers were no longer in PIA, the documents relating to the agreement between contractors and PIA were not available.

1934. After examining the reply of the Division and the above explanation of the departmental representative, *the Committee observed that the explanation given was not satisfactory. Audit should go thoroughly into one or two contracts to see whether the procedures needed to be modified in any way.*

1935. *The working results* (*Para 107, page 75-ARCA*).—Audit informed the Committee that operating surplus of the PIAC increased to Rs. 441 million while load of factor improved to 67.2% and 57.6% during 1982-83. In view of overall improvement in the working of the Corporation, Audit having no comments, the paragraph was dropped.

1936. *Sundry Debtors* (*Para 108, page 76-ARCA*).—The Committee did not make any material observation on this paragraph as such it was treated as settled.

1937. *Investment in some subsidiaries and Associated Companies of the Corporation* (*Para 109, page 76-ARCA*).—According to Audit, the Corporation increased investment in some of its subsidiaries and Associated Companies from Rs. 125,822 million in 1980-81 to Rs. 160.975 million at the end of the year 1981-82. It was explained by the Division that investments during the year under review had not been increased except additional equity in respect of Skyrooms limited by enhancement of Rs. 5.823 million in respect of expension of the Inn. The other increases of Rs. 19.528 million in advances was on account of various charges. Further increase was on account of delinking of foreign investments into Pak. Rupees from advance to equity. However, financial problems were being studied/examined with a view to make their portions economically viable.

1938. Thereupon, Audit commented that the investment in subsidiaries and Associated Companies further increased from Rs. 160,975 million to Rs. 169.58 million on 30-6-1983.

1939. Questioned as to how much holding did the department have, in PIA Investments Ltd., the departmental representative replied that it was about 45%.

1940. The Vice-Chairman enquired upto what date the investments were valid ? The departmental representative replied that the investments were valid upto June, 1984. The department had done it because of the fact that they had the foreign loans. Replying to a query as to what was PIA's investment, the departmental representative submitted that it was 32 million dollars.

1941. After further discussion, *the Committee decided that the departmental representative should prepare a statement showing company by company of PIA's Investment in and advances Subsidiaries and Associated Companies and show the percentages of holding in each company, the return received year by year, the name of the shareholder, percentage of their holdings, the advances given by them and the benefit received by them. Copies of the statement should be furnished to Audit, who will bring it before the Committee.*

Duty Free Shops Limited

1942. *The working results (Para 110, page 77-ARCA)*.—Audit had reported that the percentage of gross profit to sales worked out to 40.60 during 1981-82 as compared to 45.76 in 1979-80 and 42.85 in 1980-81. The fall was mainly due to the reason that sale prices were not increased in proportion to the increase in their cost. The Committee took the following further decisions :—

(i) The practice of Foreign Investment may be reviewed to see if any policy change was called for.

(ii) The Accounts of PIA Investment Limited to be furnished to the Committee along with information as to what have the PIA and what it was recovering.

1943. Audit further reported that the percentage of operating profit to sales was 1.30 during 1981-82 as against 1.36 during the year 1980-81. The abnormally low margin of operating profit was mainly due to the reason that the operating expenses increased more or less in proportion to increase in sale, which did not appear to be appropriate and need to be justified. A member felt that the low profit was due to the heavy administration fee and enquired as to why the fee charged by PIA was so high. It appeared to vary with the turn over and could be termed as a method of taking most of the profit away from the company at the expense of its other shareholders.

1944. The department explained that Duty Free Shops Limited prior to the commissioning of its first City Complex at Karachi on 26th May, 1982, was operating Airport Shops only, selling gift items like cigarattes and perfumes etc. The average mark-up on these gifts varied between 40—45% of sales and, as such, was reflected in the financial statements to 1980-81. In the year 1981-82, light electrical and electronic gadgets were introduced at the Airport Shops and due to the competitive nature of these electrical and electronic goods, the average mark-up did not exceed 30% of the sales. As regard the administration fee the departmental representative did not dispute the comment made by the member.

International Advertising Limited

1945. *The working results (Para 115, page 79-ARCA)*.—The Company earned gross revenue of Rs. 2.003 million and incurred operating expenses of Rs. 1.862 million during the year under review (1981-82) as compared to Rs. 2.083 million and Rs. 1.935 million of the previous year. The net operating profit, after making prior years adjustments amounted to Rs. 0.318 million in 1981-82 as against Rs. 0.149 million in the previous year. The Committee did not make any observation regarding this paragraph.

Midway House Limited

1946. *The working results (Para 116, page 80-ARCA)*.—The Company earned a gross profit of Rs. 19.152 million on sale of food beverages and cigarettes during the year 1981-82 as against Rs. 16.229 million in the previous year. The increase in the gross profit by 18.01% over that of the previous year was mainly due to the increase in the rates of meals supplied particularly to the passengers of Foreign Air Companies. The operating profit amounted to Rs. 0.925 million during 1981-82 as against a loss of Rs. 1.628 million during the year 1980-81. This was mainly due to the reasons that the gross profit coupled with other income increased by Rs. 3.593 million while operating expenses increased by Rs. 1.040 million only. No observation was made by the Committee and the paragraph was treated as settled.

1947. *(Paras 117-118, page 80-ARCA)*.—In view of the explanation given by the department and the Audit comments thereon, the Committee decided that these paragraphs be treated as settled.

1948. *(Para 119, page 81-ARCA)*.—Audit had reported that the company had deposited a sum of Rs. 1.1 million bearing interest @ 11% with Dubai Bank, Karachi in June, 1982 against a guarantee given to the Custom authorities for the payment of duty and sale tax on an Air Conditioning Plant. The material was stated to have arrived but due to non-completion of Custom formalities it could not be cleared.

1949. It was explained by the department that the Tourism Division had been approached for the release of the Bank Guarantee. The Division has made a number of queries which were replied to but has not agreed to the release of the Bank Guarantee as it was thought that some of the equipments imported was not for Hotel use but for aircraft catering. The matter was still under consideration of the Division and all possible efforts were being made to get it cleared as early as possible.

1950. Replying to a query about the difference between the duty and sales tax on hotel equipment and aircrafts catering, the departmental representative replied that the matter had now been sorted out. The guarantee had been released and the equipment had been exempted from Customs duty and sales tax.

1951. In view of the above departmental explanation, the Committee was satisfied and the paragraph was treated as settled.

PIA's Hotels Limited

1952. *Working results (Para 123, pages 83-84-ARCA)*.—The Committee was satisfied with explanation given by the departmental representative and the paragraph was treated as settled.

1953. *Sundry Debtors (Paras 124—126, page 84-ARCA).*—In view of the explanation given by the department, the Committee was satisfied and did not make any observation on these paragraphs.

PIA Recruiting Agency Limited

1954. *Working results (Paras 127-128, page 85-ARCA).*—No observation was made by the Committee on these paragraphs and as such these were treated as settled.

PIA Shaver Poultry Breeding Farm Limited

1955. *Working results (Paras 129—132, page 86-ARCA).*—Since the explanation of the department were acceptable to Audit the Committee did not make any further observation and the paragraphs were treated as settled.

Sky Rooms Limited

1956. *The Working results (Paras 133—138, pages 87-88-ARCA).*—Having been satisfied with the explanation of the departmental representative, the Committee decided that these paragraphs be treated as settled.

1957. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paragraphs points in the (i) Appropriation and Commercial Accounts for 1981-82 and the Audit Reports thereon, and (ii) on the Compliance Report on 1979-80 PAC Report. These would be deemed settled subject to such regularization action as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 20th February, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 3rd September, 1986

Sixteenth Sitting (PAC)

*1035. The Public Accounts Committee assembled at 9.00 a.m. in the Parliament House, Islamabad, to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A.	.. ..	*Chairman.*
(2) Sardar Aseff Ahmed Ali, M.N.A.	.. .. ..	*Member.*
(3) Rai Arif Hussain, M.N.A.	.. ..	*Member.*
(4) Ch. Muhammad Sarwar Khan, M.N.A.	.. ..	*Member.*
(5) Mr. Shahabuddin Shah Hussainy, M.N.A.	.. ..	*Member.*
(6) Nawab Muhammad Yamin Khan, M.N.A.	.. ..	*Member.*
(7) Malik Said Khan Mahsud, M.N.A.	.. .. ..	*Member.*
(8) Shahzada Jam Muhammad Yusuf, M.N.A.	.. ..	*Member.*

National Assembly Secretariat :

(1) Mr. M.A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General, Pakistan Revenues.

(6) Mr. Ahmad Nawab Qureshi, Director General Commercial Audit.

(7) Mr. Iftikhar Ali Khan Raja, Director General, (A&A Works) Lahore.

(8) Mr. M. Saleem Siddiqui, Director General (Defence Audit).

(9) Mr. Abdul Rauf Khan, AAO (IS&F).

Ministry of Finance :

(1) Mr. Masood Ahmad, Deputy Secretary.

(2) Mr. Muhammad Hanif Malik, FA (CA).

*Paragraphs upto 1034 and 1036 to 1071 pertain to other Ministries/Divisions.

AVIATION DIVISION

1072. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Aviation Division. The following departmental representatives were present :—

(1) Syed Ijlal Haider Zaidi, Secretary.

(2) Kh. Abdul Jalil, Joint Secretary.

(3) Mr. M. Arif Mirza, F&AO.

(4) Malik Faqir Muhammad Qasim, D.G. (M.S.).

(5) Mr. Kalim Ahmed, Deputy Director (A.S.F.).

(6) Brig. Ghulam Rasul Memon, M.D. (A.D.A.).

(7) Mr. Jamil Ahmed Sheikh, Director Finance (ADA).

(8) Mr. L.J. Contractor, G.M. (General Accounting) (PIAC).

(9) Mr. Salman Rashid, Finance Manager, (PIA Hotels).

(10) Mr. Isa Raza Khan, General Manager (Accounts) (C.A.A.).

(11) Gp. Capt. (Retd.) M. Salim, General Manager (Audit) (C.A.A.).

1073. This Division controlled the following grants :—

Sl.No.	Name of Grant	Grant No.
1.	Ministry of Defence (Function head 500 Economic Services) ..	29
2.	Meteorology	30
3.	Aviation	32
4.	Development Expenditure of Ministry of Defence (Function 387—Meteorology)	144
5.	Capital Outlay on Civil Aviation and Other Works of Ministry of Defence	176

APPROPRIATION ACCOUNTS (CIVIL)

1074. *Grant No. 29—Ministry of Defence (Page 203-AA).*—The grant closed with an excess of Rs. 17,123,668, which was about 18 per cent of the final grant, and had already been discussed under Ministry of Defence. As for Aviation Division, there was an excess of Rs. 26,750 only. It was explained that excess was due to payment of cash reward to members of crew and passengers of P.I.A. plane hijacked to Kabul and Syria. The Committee recommended the excess for regularisation.

1075. *Grant No.* 30—*Meteorology* (*Pages* 214—217-*AA*).—The grant closed with a saving of Rs. 2,064,493 which was less than 5 per cent of the final grant. The Committee did not make any observation over it.

1076. *Grant No.* 32—*Aviation* (*Page* 222-*AA*).—There was a net saving of Rs. 27,166,961 which worked out to 16 per cent of the final grant. The Chairman, PAC wanted to know, if any subsidy was being paid by Government to Civil Aviation Department and what was its performance? The Department intimated that it was a profit making organisation and no subsidy was being paid by Government. As far performance the Department could give a presentation to PAC, if so desired. On a query of Audit, the Department reported that Aviation was meant to control traffic and A.D.A. for construction of runways. There was little common in these organisations. The Committee did not make any observation over the grant but requested the Auditor-General to arrange Performance Evaluation of Civil Aviation Authority and to submit a report to the PAC.

1077. *Grant No.* 144—*Development Expenditure of Ministry of Defence* (*Pages* 206—210-*AA*).—This grant closed with a Net Saving of Rs. 841,484. PAC did not make any observation.

1078. *Grant No.* 176—*Capital Outlay on Civil Aviation and other works of Ministry of Defence* (*Page* 212-*AA*).—There was a saving of Rs. 133,830,438 which was about 50 per cent of the final grant. The Department explained that Civil Aviation Authority was formed in 12|82 instead of its being a Department of the Government. Authority used its own income towards expenditure. An amount of Rs. 48,015,000 was surrendered in 5|83, but was not accepted. Thus the Funds lapsed. The Committee accepted the explanation of the Department.

COMMERCIAL ACCOUNTS

1079. *Non-receipt of sale proceeds from a bankrupt agent Rs.* 0.115 *million* (*Para* 11, *page* 23-*ARCA*).—Audit pointed out that a sales agent of PIA at stockholm was declared bankrupt by IATA on 26th May, 1976. The Stock of tickets was however withdrawn from him on 2nd June, 1976, which facilitated him to sell tickets of Rs. 131,074 of which an amount of Rs. 15,779 could only be recovered and the balance was written off. The Department explained this all happened due to circumstances beyond control as such the amount had to be written off. The Chairman, PAC wanted to know if there was some system of security and control for safeguard. The Department reported that the system was working all right with IATA. They had their local arrangement for proper security. The Committee accepted the explanation and dropped the paragraph.

1080. *Transit Shortages of material worth Rs.* 38,289 (*Para* 12, *page* 24-*ARCA*).—According to the Audit Report material valuing Rs. 38,289 despatched by PIA from Karachi to Lahore was found short and damaged in transit during 1980-81 and 1981-82. The responsibility for loss was not fixed. The Department explained the whole procedure and system of dealing with such cases and informed that no one was held responsible. The loss had since been written off. The Committee dropped the paragraph.

1081. *Pakistan International Airlines Corporation* (*Para* 115, *page* 89-*ARCA*).—According to Report of Auditor-General, Bad Debts amounting to Rs. 16.130 million were written off during 1982-83, which included and amount of Rs. 14.944 million on account of Advances and deposits forfeited by Aircraft manufacturers due to cancellation of purchase orders by PIA. No justification for cancellation of purchase orders was given. The Department informed the Committee that PIA entered into a contract in 1978 for purchase of Aircraft, then orders were cancelled due to refusal of loan facilities and decision of Government not to purchase Second Hand Aircrafts. The action was also approved by Government.

1082. The Committee observed that it was not appropriate to Advance money, when it was not intended to purchase; and directed that Department should report about the advisability of advancing money when there was no intention to purchase the Aircrafts. A detailed report on the purchase of 6 new 'Boeing-737' aircraft should also be submitted to the Committee.

1083. *Provision for bad debts*—(*Para* 116, *page* 89-*ARCA*).—Audit pointed out that a provision of doubtful debts amounting to Rs. 65 million was made during 1982-83 against a provision of Rs. 35 million during previous year. The provision made during the year was increased by 85.17 per cent as compared to previous year. The Department explained that the amount represent provision only and no actual Bad Debts of more than 3 years old, during 1983-84, were assured to be Rs. 76.738 million and over 2 years 50.213 million. It take some time to clear such debts.

1084. The Committee after going through the explanation of the Department, directed that a statement regarding the recoveries and outstanding debts may be submitted by the Department within one month. The paragraph was deferred.

1085. *Obsolescence of Stores and Spares* (*Para* 117, *page* 89-*ARCA*).—Audit pointed out that a provision for obsolescence of stores and spares was increased from Rs. 13.21 million during 1981-82 to Rs. 132.57 million during 1982-83, due to physical verification of stores the total amount of inventory stood at Rs. 753 millions at the end of 1983-84. The increase in provision indicated large piling of stores. The Department explained in reply that this was provision only and not actual obsolescence. It was revised in accordance with international practices. It will be further revised when necessary. It was used some time as a tax saving device.

1086. The Committee observed that provision of obsolete stores appear to be on high side and directed that the position should be reviewed.

1087. *International Advertising Limited (Para* 120, *page* 90-*ARCA*).—Audit pointed out that despite increase of 14.63 per cent in gross income during the year, the percentage of operating profit to gross income decreased by 23.17 per cent which was not justified. The Department explained to the Committee the reasons for decrease and reported that attempts were in hand to increase it.

1088. The Committee discussed with the Department the subject of entertaining State Audit. The Department explained that there were hotels where State interest was less than 50 per cent. People like Saudi Princes and French Companies were shareholders, it was not advisable to take up State Audit. The Committee was informed that it had now been decided that the companies where Government had 51 per cent showes should be got audited by the Auditor-General of Pakistan.

1089. The Committee directed that in cases where Government investment was less than 51 per cent, balance sheet should be provided to Audit and the PAC.

1090. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts, Commercial Accounts and Audit Reports thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 9th March, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 20th July, 1987

Seventeenth Sitting (PAC)

*1002. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(3) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

(6) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. K. M. Chima, Secretary.

(2) Ch. Abdul Qadir, Additional Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(5) Mr. Ahmad Nawab Qureshi, Director General Commercial Audit.

(6) Mr. M. Saleem Siddiqi, Director General, Defence Audit.

Ministry of Finance and Planning Division :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Dr. M. A. Aghai, Director General (Project Wing) Planning Division.

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*Paragraphs upto 1001 and 1003 to1038 pertain to other Ministries/Divisions.

AVIATION DIVISION

1039. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Aviation Division. The following departmental representatives were present :—

(1) Khawaja Abdul Jalil, Joint Secretary.

(2) Mr. Nasim Iqbal, Deputy Secretary.

(3) Malik F. M. Qasim, Director General (Met Services).

(4) Mr. M. Arif Mirza, (F&AO).

(5) Mr. M. Yasub, M.D. (ADA).

(6) Sh. Jawed Ahmed, Director Finance (ADA).

(7) Mr. Ziauddin, Director Finance (CAA).

(8) Mr. Abdul Qadir, G.M. Accounts (Headquarters CAA).

(9) Mr. M. Saleem, G.M. Audit (Headquarters CAA).

(10) Mr. Muhammad Iqbal, Acting General Manager (PIAC).

(11) Mr. Kalim Ahmed Khan, Deputy Director (ASF).

1040. This Division controlled the following grants :—

Sl.No.	Name of Grant	Grant No.
	1983-84	
1.	Ministry of Defence (Function Head 500-Economic Services) ..	29
2.	Meteorology	30
3.	Aviation	32
4.	Development Expenditure of Ministry of Defence (Function 837—Meteorology)	142
5.	Capital Outlay on Civil Aviation and other Works of Ministry of Defence (Function 586—Civil Aviation)	173
	1984-85	
1.	Ministry of Defence (Function Head 500—Economic Services).	29
2.	Meteorology	31
3.	Development Expenditure of Ministry of Defence (Function 387—Meteorology)	145
4.	Capital Outlay on Civil Aviation and other works of Ministry of Defence (Function 586—Civil Aviation)	178

APPROPRIATION ACCOUNTS, 1983-84

1041. *Grant No.* 29—*Ministry of Defence* (*Aviation Division*) (*Pages* 253-254-*AA*).—The Grant closed with an excess of Rs. 1,298,023. The Department explained that the main excess was due to wrong booking of expenditure by AGPR which had since been rectified. The representative of Finance observed that it was doubtful if this excess was to be passed through Excess Budget Statement. Technically it might be correct but it had no legal standing. Audit held that this happened because reconciliation was not done in time.

1042. The Committee observed that it should be sorted out by Audit and Finance, if this excess was to be passed through Excess Budget Statement. They should agree on constitutional position. Reconciliation of figures should also be done in time to avoid such position.

1043. *Grant No.* 30—*Meteorology* (*Pages* 255-256-*AA*).—The Grant closed with an excess of Rs. 2,307,430. The excess was attributed towards belated adjustments of expenditure pertaining to the years 1981-82 and 1982-83. The Committee observed that such irregularities should not be repeated and recommended the excess for regularisation through Excess Budget Statement.

1044. *Grant No.* 32—*Aviation Division* (*Page* 261-*AA*).—There was an excess of Rs. 5,316,533 over the final grant. The Department explained that it was mainly due to Advance Payment of Salary on Eid and revision of Pay Scales. The Committee accepted the explanation and recommended the excess for regularisation through Excess Budget Statement.

1045. *Grant No.* 142—*Development Expenditure of Ministry of Defence* (*Aviation Division*) (*Pages* 262—264-*AA*).—There was an expenditure of Rs. 268,400 against final grant of Rs. 10,394,000 of Aviation Division which resulted in saving of Rs. 10,125,600 and worked out to 97 per cent of Final Grant. The Department explained that figures shown in the Accounts were not correct. The Committee directed that the figures may be re-checked in consultation with Audit.

1046. *Grant No.* 173—*Capital Outlay on Civil Aviation and other Works of Ministry of Defence* (*Page* 266-*AA*).—There was a saving of Rs. 136,267,000 under Aviation Division, which worked out to 79 per cent of the final grant. The Department explained that actually there was no saving, the amount of saving was surrendered. Audit informed the Committee that it was surrendered on 28th June, 1984, which was in fact no surrender. The Committee directed that budgetary controls were required to be tightened up.

APPROPRIATION ACCOUNTS—1984-85

1047. *Grant No.* 29—*Ministry of Defence* (*Aviation Division*) .(*Pages* 244-245-*AA*).—This Grant closed with a saving of Rs. 36,124,193 as for Aviation Division was concerned. The Committee did not make any observation.

1048. *Grant No.* 31—*Meterology* (*Page* 248-*AA*).—The Grant closed with an excess of Rs. 1,211,758, which was 3 per cent of the final grant and was attributed to revision of Pay Scale and payment of Advance Salary on Eid. The Committee recommended the excess under this Grant for regularisation through Excess Budget Statement.

1049. *Grant No.* 145—*Development Expenditure of Ministry of Defence* (*Aviation Division*) (*Page* 254-*AA*).—There was a saving of Rs. 28 Lacs under this Grant, which was surrendered by Aviation Division. The Committee observed that the Grant was controlled by two Divisions. In orders to avoid any confusion this may be divided and shown separately in Appropriation Accounts etc.

1050. *Grant No.* 178—*Capital Outlay on Civil Aviation and other Works of Ministry of Defence* (*Page* 258-*AA*).—There was a saving of Rs. 266,636,861 under portion of Grant of Aviation Division. There was some confusion in figures of expenditure, which included belated expenditure and then again there was surrender of Rs. 367,000,000. This aspect was required to be examined.

AUDIT REPORT—1984-85

1051. *Irregular Purchase of Air Conditioned Cars worth Rs.* 8,764,000 (*Para* 1, *page* 49-*AR*).—Audit pointed out that Thirty-six Air Conditioned Cars costing Rs, 8,764,000 were purchased by Civil Aviation Authority during the period December, 1982 to June, 1983 in violation of Staff Car Rules 1980. Besides the use of such cars by Officers of Authority was not provided in their own service regulations. The Committee noted that D.G. Civil Aviation was not present to reply to the quarries raised by the Members of the PAC. The Committee observed that D.G. must be present on all future meetings. The paragraph was deferred.

COMMERCIAL ACCOUNTS—1984-85

Pakistan International Airlines Corporation

1052. *Non-production of Record of Extension/Renovation of Flight Kitchen* (*Para* 152, *page* 131-*ARCA*).—The consideration of paragraph was deferred to 27th July, 1987 as D.G. was not present.

1053. *Accumulation of Excess Stores/Defects in Accounting System* (*Para* 154, *page* 132-*ARCA*).—The consideration of paragraph was deferred.

1054. Sundry Debtors Rs. 1,123 million (Para 157, page 132-Audit jointed out that outstanding dues against IATA and non-IATA Airlines|Agents and Government|Commercial agencies increased from Rs. 1,091 million in 1983-84 to Rs. 1,123 million in 1984-85. Recovery position is un-satisfactory. The Committee deferred the paragraph for discussion with Director General who was not present in the meeting.

1055. *Bad Debts Written off Rs.* 15 *million* (*Para* 158, *page* 133-*ARCA*).—According to Audit Report, Bad Debts amounting to Rs. 15 million were adjusted and written off during 1984-85. The circumstances which led to turning bad and doubtful Debts were required to be investigated and credit policy was required to be revised.

1056. The Department explained that all doubtful Debts were adjusted against the provision for Bad Debts available in accordance with commercial practice. The Committee settled the paragraph.

AUDIT REPORT—1983-84

1057. *Loss of Rs.* 4.6 *million by Award of Work to a Contractor at Exorbitant Rates* (*Para* 5, *page* 52-*AR*).—Audit pointed out that in 1981, a work of runway involving items of excavation and embankment and supply of clay was awarded to a contractor at Rs. 65 and Rs. 195 per 100 cft. respectively. In 1983, same items of work costed Rs. 53 and Rs. 110. Award of work at exorbitant rates in 1981 resulted in loss of Rs. 4.6 million by May, 1984. Inquiry Report, dated 1st March, 1987 has upheld Audit observation. The Chairman PAC observed that the matter pertained to 1981 and the report was finalized in 1987. The delay should be explained and it may also be intimated as to why the Department could not itself detect it. The Department informed the Committee that decision had been taken at Board of Directors' level and DCE|DG| Director were Charge Sheeted. The Committee deferred consideration of paragraph and directed that final action should be reported in next meeting of PAC.

1058. *Loss of Rs.* 330,100 *in Carriage of Bitumen* (*Para* 8, *page* 54-*AR*).—According to Audit, a contractor was awarded the work of carriage of 846 tons Bitumen by road from Karachi to Bannu at Rs. 690 per ton without tenders, although carriage through Railways could have been done at Rs. 300 per ton. The transaction thus resulted in a loss of Rs. 330,100. The Department informed the Committee that in Tribal Area work is allotted by Political Agent|Deputy Commissioner due to special conditions applicable in that area. The Committee settled the paragraph.

1059. *Unauthorised Expenditure and Loss of Machinery worth Rs.* 185,100 (*Para* 9, *page* 54-*AR*).—As per Audit Report, in a Division of ADA, two tractors and two graders worth Rs. 185,100 were purchased in 1971 and charged to work without any provision in estimates|revised estimates. It was not legitimate charge to the work as it was Agency's liability. Hence the expenditure needs be written back to Agency's Account. The Department informed that adjustment had been carried and records were being produced for verification to Audit. The Committee settled the paragraph, subject to verification by Audit.

1060. *Irregular Award of Works* [*Para* 6 (2), *pages* 52-53 *AR*].—Audit pointed out in the Sub-para that Civil Aviation Authority entered into agreement with a firm for supply of 1500 trollies free of cost and in lieu thereof the firm was allowed to affix advertisement panels on the trollies. The firm supplied 1000 trollies and thereafter failed to execute the contract. The Authority instead of entering into a similar agreement with another firm, purchased 500 trollies from the same firm at a cost of Rs. Six Lakhs. The Department explained that first agreement was concluded for providing 1500 trollies free of cost. The contractor explained his difficulties, which were appreciated by the Department. Subsequently another agreement was executed for supply of 500 trollies with cost. Firm was to pasts advertising posters on the trollies. The paragraph was settled.

1061. Excess Payment of Rs. 110,000 (Para 10, page 55-AR).—According to Audit Report, the Civil Aviation Authority purchased 7 Air Conditioners for Rs. 1.6 million and also paid installation charges of Rs. 320,000, in August, 1983 from a firm, without calling for tenders or execution of a formal agreement. The Department intimated that it was quite according to rules to get quotations from approved firm. Audit was of the view that higher rates were paid due to incorrect planning. The Committee settled the paragraph with the direction that although the amount was not substantial, internal controls needed to be improved.

COMMERCIAL ACCOUNTS—1983-84

1062. *Improper Expenditure of Rs.* 4.742 *million on Appointment of Foreign Experts* (*Para* 23, *pages* 38 *and* 39-*ARCA*).—The paragraph was deferred for discussion with M.D.

Pakistan International Airlines Corporation

1063. *Un-justified Investment of Rs.* 178 *million in Subsidiaries/Associated Commpanies* (*Para* 105, *page* 101-*ARCA*).—The paragraph was deferred for discussion with M.D.

1064. *Sundry Debtors—Rs.* 931 *million* (*Para* 106, *page* 104-*ARCA*).—According to Audit, Sundry Debtors stood at Rs. 931 million as on 30th June, 1984 after deducting provision of Rs. 132 million for doubtful debtors. The Department informed the Committee that it was a regular feature and all attempts to make recoveries were being made. The paragraph was settled.

1065. *Decrease in Engineering Service Earnings* (*Para* 107, *page* 104-*ARCA*).—The consideration of paragraph was deferred for discussion with M.D.

1066. *Points not Discussed to be Treated as Settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts, Audit Report and Commercial Accounts thereon. These would be deemed as settled; subject to such regularisation action as may be necessary under the rules.

1067. The Committee then adjourned to meet again at 09.00 a.m. on 21st July, 1987.

K. M. CHIMA,
Secretary.

Islamabad, the 6th January, 1988.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 27th July, 1987

Twenty first Sitting (PAC)

*1151. The Public Accounts Commitee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Malik Said Khan Mahsud, Minister of State for Water and Power .. .. *Member.*

(3) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(4) Rai Arif Hussain, M.N.A. .. .. *Member.*

(5) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(6) Mr. Shahabuddin Shah Hussainy, M.N.A. .. .. *Member.*

(7) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

(8) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. K.M. Chima, Secretary.

(2) Ch. Abdul Qadir, Additional Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General, Pakistan Revenues.

(5) Mr. Ahmed Nawab Qureshi, Director General (CA).

(6) Mr. Irfan Hussain, Director General (A.A. Works).

(7) Mr. M. Saleem Siddiqui, Director General, Defence Audit.

Ministry of Finance and Planning Division :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Dr. M.A. Aghai, Director General (Project Wing) Planning Division.

(3) Mr. Muhammad Hanif Malik, FA (Budget).

1152. *Accounts Examined.*—Accounts pertaining to the Aviation Division were examined by the Committee during the course of the day.

*Paragraphs upto 1150 pertain to other Ministries/Divisions.

AVIATION DIVISION

1153. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Aviation Division. The following departmental representatives were present :—

(1) S. Ijlal Haider Zaidi, Secretary.
(2) Kh. Abdul Jalil, Joint Secretary.
(3) AVM Akhtar Mahmood Bokhari, DG (CAA).
(4) Mr. Nasim Iqbal, Deputy Secretary.
(5) Mr. Muhammad Iqbal, GM (GA) PIAC.
(6) Mr. M. Arif Mirza, Finance and Accounts Officer.

1154. The following Draft paras which were deferred on 20th July, 1987 for discussion on 27th July, 1987, were not discussed.

COMMERCIAL ACCOUNTS 1983-84 AND 1984-85

Pakistan International Airlines

Para 23, *pages* 38 *and* 39-*ARCA*|1983-84.

Para 105, *pages* 102 *and* 103-*ARCA*|1983-84.

Para 152, *page* 131-*ARCA*|1984-85.

Para 154, *page* 132-*ARCA*|1984-85.

1155. The Chairman PAC observed that the Managing Director P.I.A. was not present to reply queries of the Committee, as such examination of Accounts could not be carried out. He should attend future meetings. The PAC deferred examination of these paras.

AUDIT REPORT (CIVIL AVIATION AUTHORITY) 1984-85

1156. *Irregular Purchase of* 36 *Air Conditioned Cars worth Rs.* 8.764 *million* (*Para* 1, *page* 49-*AR*).—According to Audit Report, Civil Aviation Authority purchased 36 Air Conditioned Cars costing Rs. 8,764,000 in violation of Staff Car Rules, 1980. The officers of authority were also not entitled to such A.C. Cars according to the service rules applicable to them. The Department explained that the use of such cars was not specifically prohibited for the officers who used these vehicles. The Cars were put in use according to the decision of Board. However, in view of the new policy of the Government these cars were now being disposed of. The Committee directed that irregularity may be regularised under orders of Competent Authority.

K. M. CHIMA,
Secretary.

Islamabad, the 24*th January,* 1988.

Annexure 'F'

FEDERAL COUNCIL SECRETARIAT

Tuesday, the 30th October, 1984

Eighth Sitting (PAC)

*1170. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Buildings, Islamabad, to continue the examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice-Chairman.*

(2) Syed Saieed Hasan, Member, Federal Council .. *Member.*

(3) Akhunzada Bahrawar Saeed, Member, Federal Council *Member.*

(4) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council .. .. *Member.*

(5) Mr. Abdul Qadir, Former Chairman, Railway Board .. *Member.*

(6) Mr. Yusuf Bhai Mian Chartered Accountant .. *Member.*

Federal Council Secretariat :

(1) Mr. M.A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Mr. S.I. Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(5) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues.

(6) Mrs. S.N. Sheikh, Director General, Commercial Audit.

(7) Mr. Iftikhar Ali Raja, Director General (A&A Works).

Ministry of Finance :

(1) Mr. Manzur Husain, Joint Secretary (Budget).

(2) Mr. Bashir Ahmad, DFA (Petroleum and Natural Resources).

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*Paragraphs upto 1169 and 1171 to 1261 pertain to other Ministries/Divisions.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

1262. The Committee took up for its examination. the Appropriation Accounts etc., pertaining to the Ministry of Petroleum and Natural Resources. The Following departmental representatives were present :—

(1) Mr. Mukhtar Masood, Secretary.

(2) Mr. Abdul Hameed, Joint Secretary.

(3) Mr. Muhammad Ayub Kazi, Section Officer (F&A).

(4) Syed Zahid Hussain, Director Finance (O.G.D.C.)

(5) Brig. Kaleem Mirza, M. D. (Gem Stone Corporation).

(6) Mr. A. A. Malik, Chairman, (P.M.D.C.)

(7) Mr. Riazur Rehman, Finance Director (P.M.D.C.).

(8) Mr. Dabir-ul-Mulk, M.D. (Indus Gas Company).

(9) Syed Ahmad, Manager Finance (Indus Gas Company).

1263. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Petroleum and Natural Resources	103
2.	Geological Survey	104
3.	Other Expenditure of Ministry of Petroleum and Natural Resources	105
4.	Development Expenditure of Ministry of Petroleum and Natural Resources	160
5.	Capital outlay on Petroleum and Natural Resources ..	184
6.	Capital outlay on Mineral Development	185

1264. ***Reconciliation of Accounts with Audit.***—The Committee noted that the reconciliation of Accounts for 1984-85 was not completed. *The departmental representative was, therefore, directed that the reconciliation of Accounts for the months after June, 1984 should be completed expeditiously.*

APPROPRIATION ACCOUNTS

1265. *Grant No. 103 Ministry of Petroleum and Natural Resources (Pages 906—948-AA).*—The Appropriation Accounts show a net saving of Rs. 47,817 had occurred under this grant. The Committee, after examining the replies of the Ministry against each object and the Audit comments thereon, observed that the accounts of the Ministry were not being maintained properly. The Committee also observed that re-appropriation was made from one object to another object, but re-appropriation order did not seem to have been issued. This should have been done. *The Committee, therefore, directed the departmental representative to look into this position and try to get all the accounts of the Ministry maintained properly.*

1266. *Grant No. 104—Geological Survey* (*Pages 964—966-AA*).—The Appropriation Accounts show a net saving of Rs. 563,554 in respect of this grant. The Vice-Chairman remarked that the position was the same as in Grant 103. Audit pointed out in their comments on the replies of the department that under objects 011, 012 and 100, there were saving whereas under 020 and 030 there were excesses. The excess could have been covered by re-appropriation from the savings. The Ministry was also required to make a surrender of the remaining savings. The Vice-Chairman remarked that the department had shown big saving made some heads where the economy could have been applied.

1267. Audit had shown saving of Rs. 8,745 and Rs. 430,606 under objects 400 and 500 respectively. The Ministry explained that the saving were due to imposition of ban on expenditure by the Government towards the end of the financial year. Thereupon, Audit stated that the Ministry should have made a surrender of savings available at the end of the year. Moreover, under object 500 the re-appropriation of funds (Rs. 375,600) proved wholly excessive in view of the saving (Rs. 430,606).

1268. A member of the Committee asked as to what was the justification for applying most of the economy cut (Rs. 687,600) to "020 - Regular Allowances", and not partly to pay of officers and other staff particularly as there were substantial savings under these two heads.

1269. *The explanation given by the Ministry, did not satisfy the Committee and the departmental representative was directed to look into the matter to avoid its recurrence.*

1270. *Grant No. 105—Other Expenditure of Ministry of Petroleum and Natural Resources* (*Page 950-AA*).—There was no material point for the Committee's consideration under this grant.

1271. *Grant No. 160—Development Expenditure of Ministry of Petroleum and Natural Resources* (*Page 952-AA*).—The Committee agreeing with the Audit comments on the reply of the Ministry, made no further observation in regard to this grant.

1272. *Grant No. 180—Capital Outlay on Petroleum and Natural Resources* (*Pages 954—962-AA*).—The Appropriation Accounts show a net saving of Rs. 8,457,224 under this grant. A member of the Committee referred to the departmental representative, to function head "722-Non—financial Institutions

Investment in Energy Resources Comprehensive Energy Development. Bio Gas Development Project " Rural Energy Project"—Rural Electrification Project and Solar Energy " and remarked that the detail list on pages 960—962 showed no expenditure against the head. The departmental representative could not give a satisfactory explanation to the Committee in this regard.

1273. Audit drew attention to the surrenders made by the department as given below :—

	Rs.
(i) Bio Gas Development Project	4,991,600
(ii) Rural Energy Project	6,138,300
(iii) Rural Electrification Project	7,978,000
(iv) Solar Energy	9,476,700

and stated that a large portions of the original budget provisions had been surrendered, but no reasons had been given in the surrender orders. A comparison with recoveries under the grant revealed that surrender might be on account of unutilized aid.

1274. The Committee agreed with the above comments of Audit and observed that the department should be careful in future.

Resources Development Corporation

1275. Audit drew attention to the surrender of Rs. 42,660,000 against the original provision (Rs. 45,000,000) had been made. No reason had been given in the surrender order.

Pakistan Petroleum Limited

1276. Audit had reported that the whole provision (Rs. 14,710,000) was surrendered but the surrender did not contain any reason.

Husky Oil Pakistan

1277. Surrender order contained no reasons for the surrender of Rs. 1,042,260 under this project.

Union Texas Oil Company

1278. According to Audit, the requirement under this Project to the extent of Rs. 16,771,785 in addition to original provision of Rs. 12,000,000 was met by reappropriation of funds from AMOCO Pakistan. This revealed un-healthy budgeting.

AMOCO Pakistan Petroleum Limited

1279. Audit drew attention to the fact that against the budgeted provision of Rs. 196,000,000 an amount of Rs. 183,625,000 was surrendered or-re-appropriated. Rs. 105,727,210 surrendered and an amount of Rs. 77,897,790 was re-appropriated. No reasons were recorded for the surrender or re-appropriation.

Shell Oil Company

1280. Against the provision of Rs. 16,700,000., an amount of Rs. 14,310,000 was either surrendered or re-appropriated ; Rs. 10,536,265 surrendered for which no reasons were given and Rs. 3,773,735 were re-appropriated.

Investment in Gas Companies

1281. The surrender order contained no reasons for the surrender of Rs. 31,840,000.

Oil and Gas Development Corporation

1282. Rs. 58,790,000 were re-appropriated to this Corporation from AMOCO on 9-6-1982 whereas, Rs. 155,324,000 were surrendered on 30-6-1982. Audit commented that the re-appropriation proved un-necessary.

Gemstone Corporation of Pakistan

1283. The reasons for the savings of Rs. 9,375,000 had not been given by the Ministry. In view of the above position stated by Audit, *the Committee directed the departmental representative to look into the whole situation and provide the replies to the Audit comments. In future the department should be sufficiently careful, to provide the explanations in the first instance.*

1284. *Grant No. 185—Capital Outlay on Mineral Development (Pages 968—970-AA).*—The Appropriation Accounts show a saving of Rs . 2,755, 872 against object 100-Purchase of Durable Goods. It was explained by the Ministry that the saving was mainly due to non-receipt of foreign aid in full. The Committee observed that the explanation given by the Ministry did not appear to be correct as the accounts showed no recovery at all.

1285. The departmental representative explained to the Committee that there was actual foreign Aid from Canada, of Canadian $ 216,300 and letter to this effect was awaited from Economic Affairs Division. The actual amount in Pak rupee was not known to the department, hence, the explanation for saving could not be furnished at this stage.

1286. *The Committee observed that the above explanation of the Ministry was not satisfactory and directed the departmental representative to look into it and furnish a complete report to the Public Accounts Committee.*

COMMERCIAL ACCOUNTS

Gemstone Corporation of Pakistan Limited

1287. *Precious and semi-precious Gemstones in Pakistan (Para 314, page 142-ARCA)*.—The Management reported that despite innumerable problems *i.e.* financial as well as marketing because of general slump in the market, sales of Gemstones had been steadily increasing every year, in that during 1982-83 they had crossed Rs. 5 million. In 1983-84 the Management had been able to make sales of over Rs. 5 million in the first quarter of the year (July to September, 1983).

1288. In view of above position, the Committee did not make any observation on the audit paragraph which was treated as settled.

Indus Gas Company Limited

1289. *Working results (Para 316, page 143-ARCA)*.—The Committee was informed that the Company sustained operating loss of Rs. 9.452 million in the year 1981-82 against operating profit of Rs. 1.029 million in the year 1980-81 due to increase in cost of Sales, Operating Expenses and Financial Charges in the year 1981-82 over 1980-81.

1290. Audit maintained that the operating loss of the Company further increased to Rs. 11.659 million in 1982-83 despite increase in average selling price.

1291. *The Committee observed that the explanation of the Management was not very clear. As to the loss, the Company should show better performance. The Committee further desired that it be examined whether there will be a saving in tax if the consumer's connection deposit of Rs. 400 is shown against the Capital Account.*

1292. *Depreciation charged on idle plant (Para 318, page 143-ARCA)*.—Audit felt that depreciation should not be charged on Idle Plants as it would reduce its book value. *The Committee considering all aspects of the paragraph obesrved that disposal of the Idle Plant should be expedited.*

1293. *Irregular payment of bonus Rs. 14,000 (Para 30, page 36-ARCA)*.—Audit had pointed out that a bonus of Rs. 14,000 was paid on 10-8-1974 to the Managing Director for 1973-74. Such payment was not admissible under the terms and conditions of his appointment. It was also in contravention of Government Policy guidelines, contained in paragraph 5 of Finance Division's O. M. No. F. 3(II) Exp. 1/73 dated 8th February, 1974 and subsequently elaborated in their O. M. No. F. 3(5)/R-12/80-436 dated 29-12-1980; as such the irregular payment was required to be recovered from the person concerned or regularized.

1294. The Management explained that bonus was paid to *bona fide* employees of the Company on the declaration of profit for the period *plus* the completion of such service as was required under the rules; therefore the circular referred to by Audit did not apply to this case. Audit expressed the view that officers not allowed bonus in any Government Controlled Corporation whether they are Government servants or whether they are employees of the Corporation. The departmental representative disagreed with Audit.

1295. The Committee was satisfied with the explanation of the Management. The paragraph was treated as dropped.

1296. *Extra expenditure of Rs. 90,720 and non-recovery of liquidated damages of Rs. 29,196 (Para 41, page 41-ARCA).*—Audit reported that in response to a tender inquiry for supply of 8,000 service Regulators to the Indus Gas Company floated by P.I.D.C. in May, 1979, a firm quoted Rs. 35 per piece (C&F) inclusive of 5% commission, while another firm quoted Rs. 43 per piece. The order was placed on the latter Firm at a negotiated rate of Rs. 42.50 per piece and the lowest bid of Rs. 35 per piece was ignored on the plea that after payment of Sale Tax and clearing charges, its cost would be higher.

1297. It was explained by the management that this purchase deal was made through P.I.D.C. and the management did not have the quotations, comparative statement and the note on the basis of which order was placed on a bidder other then the lowest. Normally the management would take quality and specification of Service Regulators into account as without reference thereto, the cheapest might leak and cause loss of gas and might also prove dangerous to consumers on account of accidental fire hazards. The department further stated that it was possible that the lowest offer of Rs. 35 (C&F) Price might have been higher if Custom Duties, Sales Tax and Clearing and forwarding charges were included.

As for the recovery of liquidated damages of Rs. 29,196 for not supplying the full ordered quantity, the Management had repeatedly pressed the manufacturer to supply the remaining quantity but they did not do so. The circumstances under which liquidated damages were not levied was not available in I.G.C. records as the original file was with P.I.D.C. The recovery ofl iquidated damages, was, however, very difficult as even after going into litigation and obtaining a court decision for recovery, the chances of recovery were remote.

1298. Audit suggested to the management that the persons responsible for causing intentional delay to provide reply to the irregularity pointed out by Audit in 1980, should be liable to disciplinary action.

1299. *The Committee directed that efforts should be made to recover the file from the P.I.D.C. and the documents, required by Audit, may then be furnished to them. The paragraph was deferred.*

Oil and Gas Development Corporation

1300. *Extra expenditure of Rs. 29,985 by delay in placing order on the supplier (Para 29, page 35-ARCA).*—According to Audit, in response to a tender inquiry floated by the Oil and Gas Development Corporation, a firm quoted on 20th December, 1976 for certain production equipment at U.S. $ 1,524 per unit. The validity period was 60 days from the date of the quotation, which was further extended upto 30th April, 1977. The Corporation, however, placed an order on 18th May, 1977 (*i. e.*, after expiry of the revalidated period), without asking for the confirmation of previous price.

1301. It was explained by the Management that Danial Export U.S.A. had quoted rates in response to the tender inquiry on 20th December, 1976 with a validity of 60 days. It was later extended to 30th April, 1977. However, technical evaluation by the user department, approval and the obtaining import licence took so much time the order could not be placed within that date. The bidder having increased the rates after the expiry of validity period, the quantity was, therefore, reduced. Competent authority had now directed them an inquiry be held in order to fix responsibility for the delay and the findings of the inquiry would be furnished to Audit as soon as it is completed.

1302. The Committee directed the departmental representative that the inquiry should be completed within three months. Subject to Audit pursuing the matter, the paragraph was dropped.

1303. *Advances (Rs. 134 million) (Para 328, pages 146-147-ARCA).*—Advances paid by the Corporation and not recovered at 30th June, 1981, amounted to Rs. 134 million. Audit had given the year-wise break-up of such advances, and pointed out that from the break-up it would appear that the heavy amount of Rs. 21 million was more than three years old and some of it had been outstanding since 1970-71.

1304. The Management produced a statement showing the position of outstanding advances before the Committee and explained that strenuous efforts were being made to account for the whole amount of advances.

1305. *The Committee went through the statement produced by the department and observed that the figures did not seem to be clear and as such it directed the departmental representative that a revised and correct statement of outstanding advances should be furnished to Audit for verification.*

1306. *Cash in transit (Para 331, page 147-ARCA).*—The Corporation had cash in transit amounting to Rs. 924,463 from 1978 which was not cleared till June, 1981 and had been included in field parties suspense account for the year 1980-81. While the reasons leading to non-clearance of such old remittances were to be given and their subsequent inclusion in field party suspense accounts was to be justified. The Management explained that out of Rs. 924,463, Rs. 511,975 had since been cleared and for the remaining amount of Rs. 412,488, banks at the concerned locations were being contacted.

1307. Thereupon, Audit commented that the Management should state as to why the cash in transit was outstanding since 1978 and why this amount was transferred to field parties suspense account? Audit further maintained that progress of clearance of the balance of Rs. 412,488 should also be reported.

1308. After further discussion, *the Committee directed that a full report should be furnished to the Committee. The consideration of paragraph was deferred.*

Pakistan Mineral Development Corporation Limited

1309. *Working results (Paras 332—336, pages 148-149-ARCA).*—The Corporation earned a net profit of Rs. 1.032 million during the year under review as against Rs. 0.984 million during the preceding year. The accumulated deficit inclusive of those of its projects stood at Rs. 79.141 million as on 30th June, 1982 as against the deficit of Rs. 21.619 million as on 30th June, 1981. The increase in the dificit was due to acceptance of liability for project losses of Rs. 48.355 million pertaining to the PIDC period and the losses of Rs. 13.4 million and Rs. 5.798 million sustained by the Sharigh and Sor-Range Collieries respectively during the year 1981-82.

1310. The Management accepted that the financial results of PMDC as per Head Office books as well as the books of the projects as summarized by Audit. The case to capital restructuring was still under the consideration of the Government.

1311. Audit maintained that the accumulated loss had increased on 30-6-1983 to Rs. 84.734 million. In the circumstances capital re-structuring had become inevitable and delay in decision in this regard would further aff ct the financial position of the Corporation.

1312. Questioned as to capital re-structuring, the departmental representative submitted that the Management had sent the case to Finance Division who had sent it to the Corporate Law Authority. The department had not yet received any decision.

1313. *The Committee directed the departmental representative to pursue the matter and get the decision arrived at the earliest possible date. The paragraph was, therefore, deferred.*

PMDC Collieries Sharigh

1314. *The Working Results* (*Paras 349—356, pages 154-155-ARCA*).—The Corporation was continuing to run into heavy losses in the collieries. Audit reported that although the quantity of coal extracted from the Mines increased by 12.30% *i. e.*, to 24,015 metric tons in the year 1981-82, the per ton cost of production increased by 51.40% *i. e.*, to Rs. 486.54. The per ton cost of sale also increased from Rs. 848.44 in the year 1980-81 to Rs. 1332.41 in the year 1981-82.

1315. Questioned as to what was the reason for the cost of sale per ton increasing continuously, the departmental representative replied that the main reason was that the Management was unable to operate it to full capacity and was also unable to sell its coal to the steel Mills.

1316. The Vice-Chairman enquired as to the increase in interest over the previous year, particularly as it was increasing principally because of increase in losses. The departmental representative submitted that the Management was not getting full benefit of the cost of the Development.

1317. After further discussion, *the Committee took the following decisions in respect of Sharigh Mines :—*

(i) *As the situation seemed to be going out of hand, immediate decision of Government should be obtained about supplying washed coal to the Steel Mills.*

(ii) *In view of huge losses (excluding interest, loss of Rs. 100 per ton on about 20,000 tons), a decision must also be taken quickly about the further of the mine, viz., whether it should be closed down or continued under improved conditions.*

P.M.D.C. Collieries Sor-Range

1318. (*Paras 357—362, page 156-ARCA*).—Audit stated that production during the year was 34,700 metric tons only as against the budgeted target of 45,000 metric tons, or 77.11% of the target for the year. The project sustained a net loss of Rs. 5.798 million against the budgeted profit of Rs. 1.109 million for the year.

1319. *The Committee decided that the directive given by it against the Sharigh Mines above would be applicable to this project also.*

Pakistan State Oil Company Limited

1320. (*Paras 379—382, page 162-ARCA*).—The Company earned a net profit of Rs. 152.2 million during 1981-82 as against Rs. 93.9 million during the previous year. The increase was mainly due to decrease in Government levies from Rs. 2.350 million in 1980-81 to Rs. 1,992 million during 1981-82 inspite of increase in gross sale proceeds from Rs. 9,016 million to Rs. 10,578 million during the same period. The ratio of Government levies to gross sales dropped from 26% in 1980-81 to 18.8% during 1981-82.

1321. After examining the detailed reply of the Management, *the Committee came to the conclusion that Pakistan State Oil Company should sit together with the Ministry of Petroleum and Natural Resources and settle the matter among themselves.*

Resources Development Corporation Limited

1322. (*Paras 383—385, page 163-ARCA*).—The Corporation was established by the Government of Pakistan in 1974 and was concentrating on conducting intensive investigations and discovery of Copper deposits in Saindak Area of Chagai District of Baluchistan. Pilot Plant tests and pre-investment feasibility study were completed in December, 1977.

1323. The department explained that pre-investment study by Seltrust Engineering Limited of London (SEL) was completed and a PC-I for approval of the Project on the basis of the SEL study was submitted by RDC to the Planning Division in December, 1977. However, SEL submitted their Report officially through the UNDP in January, 1978.

1324. The Committee did not make any observation on the above paragraphs.

COMPLIANCE ON THE POINTS CONTAINED IN THE 1979-80 PAC REPORT

1325. *Compilation of accounts* (*Paras 1351, 1354, 1357 and 1359, page 371-PAC Report 1979-80*).—The Committee did not make any material observation on these paragraphs.

1326. (*Paras 1361—1363, page 372-PAC Report 1979-80*).—The Committee treated the paragraphs as settled subject to verification by Audit.

1327. (*Paras 1365 and 1367—1369, pages 372-373-PAC Report 1979-80*).—No observation was made by the Committee on the above paragraphs.

General

1328. After going through the explanations given by the Ministry, *the Committee observed that Ministry had submitted hundred of paras from PAC Report 1979-80 which did not relate to them and directed that in future, only portions of the PAC's Directives, relating to the Ministry and on which any action was required be reproduced in the Compliance Statement and the action taken thereon be Communicated to the Committee.*

1329. *Points/Paragraphs not discussed to be treated as settled.*—The Committee did not make any observation on other praragraphs and points in Appropriation and Commercial Accounts 1981-82 and the Audit reports thereon, and on the Compliance on the 1979-80 PAC Report. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

1330. The Committee then adjourned to meet again at 9.00 a.m. on Wednesday, the 31st October, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 18th January, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 28th August, 1986

Twelfth Sitting (PAC)

*779. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(4) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(5) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(6) Malik Said Khan Mahsud, M.N.A. .. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenue.

(6) Mr. M. S. Amjad, Director General (PEC).

(7) Mr. Iftikhar Ali Khan Raja, Director General, (A&A Works).

(8) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

Ministry of Finance :

(1) Mr. Muhammad Sher Khan, Joint Secretary.

(2) Mr. Muhammad Rafiq Asghar, FA (Petroleum and Natural Resources).

*Paragraphs upto 778 and 780 to 801 pertain to other Ministries/Divisions.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

802. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Petroleum and Natural Resources. The following departmental representatives were present :—

(1) Mr. Izhar-ul-Haq, Secretary.

(2) Mr. Abdul Hameed, Joint Secretary.

(3) Mr. Iftikhar Alam, GM Finance (PSO).

(4) Mr. S. A. N. Gardezi, Chairman (PMDC).

(5) Mr. A. Jabbar Khan, Chief Auditor (PMDC).

(6) Mr. S. A. Bilgrami, Chief Executive (RDC).

(7) Mr. Hilal A. Raza, DG (HDIP).

(8) Mr. W. Ahmed, DG (GSP).

(9) Mr. Zakauddin Malik, Chairman (OGDC).

(10) Saiyed Enayat Hussain, Manager Finance (OGDC).

(11) Mr. Muhammad Aslam, Chief Internal Auditor (OGDC).

803. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Petroleum and Natural Resources	101
2.	Geological Survey	102
3.	Other Expenditure of Ministry of Petroleum and Natural Resources	103
4.	Development Expenditure of Ministry of Petroleum and Natural Resources	159
5.	Capital Outlay on Petroleum and Natural Resources ..	184
6.	Capital Outlay on Mineral Development	185

APPROPRIATION ACCOUNTS

804. *Grant No.* 101—*Ministry of Petroleum and Natural Resources* (*Page* 638-*AA*).—The grant closed with a net saving of Rs. 70,602. Audit held that in view of this saving the Supplementary Grant of Rs. 1,157,000 proved partly unnecessary. The Department explained that the savings were due to vacant post of officers who were expected to join any time before the close of financial year. The saving being nominal, the Committee did not make any observation.

805. *Grant No.* 102—*Geological Survey* (*Page* 672-*AA*).—According to the Appropriation Accounts there was a net excess of Rs. 25,428,671. The Department explained that there was only an excess of Rs. 26,857. Difference in the figures of excess was due to double adjustment of a transfer entry by AGPR and CAO Geological Survey of Pakistan, Quetta. The Audit intimated that excess amount of Rs. 25,401,814 was adjusted in the accounts for the year 1983-84. The excess was recommended by the Committee to be regularised.

806. *Grant No.* 103—*Other Expenditure of Ministry of Petroleum and Natural Resources* (*Page* 640-*AA*).—There was a net saving of Rs. 10,397,895 under this grant. The Department explained that the saving was mainly due to the fact that a cost benefit analysis of certain schemes under this grant was being carried out by the Chief Cost Accounts Officer and it was decided that the funds may not be surrendered till a report was received. Thus the funds could not be surrendered in time. The saving being within the permissible limit, the Committee did not make any observation.

807. *Grant No.* 159—*Development Expenditure of Ministry of Petroleum and Natural Resources* (*Page* 644-*AA*).—This grant closed with a net saving of Rs. 200,000 which was due to non-release of funds by the Budget Wing of Finance Division. The case of release of funds was not cleared due to resources constrains. The Chairman PAC wanted to know about the function of Mineral Resources Project. The Department reported that small studies were entrusted to it and the result of such studies were sent to the Chamber of Commerce. A member wanted to know if any industry had so far been set up as a result of such studies. The Department intimated that they could submit a report on it.

808. The Committee directed that an Evaluation Report on the work so far done and the report on the resource studies project may be submitted to the PAC in the next meeting.

809. *Grant No.* 184—*Capital Outlay on Mineral Development* (*Page* 646-*AA*).—As per Appropriation Accounts there was a net saving of Rs. 363,156,442 which was 17 per cent of the final grant. The Chairman, PAC wanted to know the performance of the Department in the case of Development Projects. The

Department reported that they had installed 4000 Bio-gas Units and those units which were installed on 'cost sharing basis' were working quite alright. A member at this point observed that this had proved to be most inefficient system and had not worked any where, he observed that it should be stopped and investment may be made on Solar System. The Departmental representative reported that their Solar Technology was not so much developed and the system had not proved good for cooking.

810. A member pointed out that one or two Villages were selected for Solar Energy. International tenders were called and three-week notice was given, which was too short for International tenders. It appeared to him that these short time tenders were floated to favour some body. The Department should look into this irregularity and also report basis of selection.

811. The Committee after discussion, observed that a Performance Report (system study) of various schemes undertaken by the Ministry should be carried out by Audit. It was directed that the information (i) regarding the basis for selection of Villages for electrification by Solar System and the reasons for limiting the tender time to three weeks (ii) Performance Report on Bio-gas Project and (iii) enquiry report of staff suspender for Bio-gas and Solar Project may be submitted to the PAC within three weeks. The Committee further directed that Departmental Accounts Committee should be fermed in the Ministry.

812. *Grant No.* 185—*Capital Outlay on Mineral Development* (*Page* 676-*AA*).—The grant closed with a net Saving of Rs. 1,867,854 which worked out to 14 per cent of the final grant. The Department explained that the saving was due to non-filling of vacant posts before the close of financial year and due to less booking of expenditure by Audit. Audit, however, stated that the figures of expenditure were reconciled by the Department and no such short booking was pointed out. The Committee did not make any further observation on this grant.

COMMERCIAL ACCOUNTS

813. *Pak. Stanvac Petroleum Project* (*Para* 366, *page* 178-*ARCA*).—Audit pointed out that material and assets declared surplus during the period from 1969—83 valuing Rs. 291,070 were lying undisposed of. These were required to be disposed of, as with the passage of time the value of these assets will deteriorate further. The Department explained that the surplus material consists of two categories *viz.* concessionary and non-concessionary. Under the concessionary category they had "Diamond Core Bits" for which no local buyer was available. The Government was requested for permission to export these "Diamond Bits" which had not so far been approved. Similarly in the case of disposal of Vehicles the government permission had been sought. Audit, thereupon, observed that the matter had been delayed and something should be

done to dispose of this material. The Committee directed that some decision should be taken to finalise the disposal of this material and a report submitted to PAC.

814. *Resources Development Corporation Limited* (*Para* 369, *page* 180-*ARCA*).—Audit pointed out that an amount of Rs. 147 million was spent on this project from April, 1974 to June, 1983 in anticipation of sanction of project by ECNEC. This expenditure mainly represented cost of assets and investment etc. The total cost of the project was estimated to be Rs. 5,000 million including foreign exchange component of Rs. 2,937 million, according to the revised PC-I not approved by ECNEC. Audit further pointed out that the Corporation was established in 1974 for exploration of certain minerals from Saindak. An expenditure of Rs. 184 million had been incurred up to 30th June, 1986 but the project was still in its infency. The Departmental representative reported that the project had gone through a number of stages. In the first instance the government sanctioned some amount for feasibility study. The consultants were appointed for such a study and the matter was being referred to the ECNEC in a few weeks for finalisation.

815. The Chairman at this point observed that there appeared to be no justification for spending heavy amount of money when future of the project was not bright. The departmental representative intimated that the prices of Copper generally fluctuate and any type of industry could not be set up without development of minning industry. Audit observed that the project was not feasible from economic point of view, according to the criteria fixed by the government. It had been decided by government to close it down gradually. The Chairman PAC wanted to know the reason for keeping the Headquarter of the Corporation at Karachi, and if the Department would recommend the project to ECNEC.

816. The departmental representative reported that they were looking into all Pros and Cons and they would be in a position to finalise their report within two weeks. It will then be submitted to ECNEC to study its feasibility and to consider recommendation for final decision.

817. The PAC directed that Secretary of the Department may look into it personally and must get the case finalised before the next meeting of the PAC. A report in the matter may be submitted to the PAC.

818. *Oil and Gas Development Corporation* [*Para* 27 (*ii*), *page* 34-*ARCA*].—According to the Audit Report, during physical verification of stores at Toot Oil Field, in June, 1981 the Internal Audit Department of the Corporation detected that out that 300 tons cement supplied by the cement factory only 140 tons were taken on stock. The balance 160 tons valuing Rs. 70,400 appeared to have

been mis-appropriated. It was further pointed out that an Inquiry Committee was set up in June, 1983 to probe into the matter which had not been finalised so far.

819. The Department explained that inquiry had since been completed. The contractor who did not deliver the cement had been directed to make good the loss, if he would not respond, the case would be handed over to the Police. They expected the recovery of the amount within two months. The Committee directed that the money should be recovered and got verified by Audit.

820. [*Para* 325 (*b*), *page* 162-*ARCA*].—According to Audit Report the stores valuing Rs. 10,482 million were supposed to be lying on various closed wells sites as on 30th June, 1983 as per financial record maintained by the Department. The physical verification of the stores were not carried out, in absence of which correctness of balances shown in the account could not be checked. The Department reported that they were carrying out reconciliation of stores lying on closed wells and those transferred from the sites elsewhere. The problem was being sorted out. Audit observed that although the promised year 1984-85 had since ended but the Department had not so far reported the position. The Department thereupon reported that an amount of Rs. 7.7 million had already been adjusted and remaining 2.7 million was in the process of adjustment|recovery.

821. The Committee directed that Department should tighten up the control. The paragraph, subject to recovery and verification by Audit, was settled.

822. *Pakistan Mineral Development Corporation* (*Para* 28, *page* 35-*ARCA*).—According to Audit Report the Corporation entered into a contract with a supplier for supply a Mining Timber. The supplier could only supply a part of the contracted material and requested for an extension of 2½ month in the delivery period. An extension of 1½ month period was allowed, but the supplier went into arbitration. Subsequently he agreed to forgo his compensation claim if the quantity was increased, to which the Corporation agreed in the first instance and latter on back out. The suppiler who had already gone in arbitration won the case and got Rs. 668,455 by way of compensation. Thus the Corporation lost the case due to imprudent actions and flaw in the contract agreement, resulting in loss of Rs. 668,455.

823. On a query from Chairman, the Audit explained that reasons for arbitration award against the Department were that the space was not provided by the Department and extension was not allowed. The Department however explained that since the contractor could not supply the material within the stipulated time, he asked for extension. A detailed inquiry was also made by FIC. They suggested that a change in procedure was required. The Chairman

PAC observed that there was some thing wrong some where, and the officers should look after the interest of the Government while conducting financial business.

824. The Committee directed that an inquiry should be held for fixing responsibility in this case.

825. *Non-recovery of Penalty from Contractor* (*Rs.* 169,240) (*Para* 30, *page* 35-*ARCA*).—In this case fine of Rs. 20 per ton for delivery of 24 Metric Tons of rock salt per day was required to be imposed in case of failure of the contractor, according to the terms of the contract. The contractor failed to supply the contracted quantity and was liable to penalty of Rs. 169,240 which was not imposed. The Department, however, held that the contractor could not maintain the supply, due to un-avoidable circumstances. The reasons of short supply were genuine and as such were accepted by the Department. Since the delay was not international on the part of the contractor the penalty was waived off by the then Project Manager. The Committee thereupon, directed that the irregularity should be regularised and got verified by Audit.

826. (*Paras* 328, 329 *and* 347, *pages* 163 *and* 169-*ARCA*).—These three paras were considered collectively as these pertain to various projects of Mineral Development Corporation. Audit pointed out that the net profit of Mineral Development Corporation (Holding Company) in 1982-83 was 1,126 million which decreased to Rs. 0.245 million in 1984-85. Salt Mine Khewra, Warcha, Kalabagh, Lakhra, Sharigh Collieries and Briquetting Plant, Quetta showed losses during 1984-85. Whereas remaining five projects had nominal profit during the year 1984-85. The amount of receivables also stood at 0.257 million at the end of 30th June, 1985. The Department while explaining the reasons for losses stated that the rate of their success in exploration was 20 per cent but the Department had to pay interest to the Ministry of Finance on all loans taken on remaining 80 per cent where the Corporation did not meet with success. At present against a loan of Rs. 1.2 million they had to pay an interest of Rs. 6.3 million. The Steel Mills which agreed to obtain supplies of coke, subsequently went back of their commitment. The Department suggested that Steel Mills may be moved to get their coke requirements through them. A Member pointed out that it was not justified to charge interest when the expenditure was incurred under instructions from the Government. The Committee directed that arrangement be made to have a report from Pakistan Steel Mills Limited for refusal to accept coke after making commitment.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES, 1984

827. *Gemstone Corporation of Pakistan Limited, Peshawar* (*Pages* 429—76 *Perf. Eval. Report Vol. IV*).—Audit, while briefing the Committee about the

results of assessment of Performance Report intimated that the main activities of the Corporation were exploration, mining, cutting, polishing of gem-stones and development of the industry in Pakistan. The scope of business activities were enlarged to include manufacture of traditional and modern style gem-studded jewellery at a special Jewellery Project established at Peshawar, which included the purchase gem-stones from the market. The Corporation accumulated losses of Rs. 5.98 million by 30th June, 1985. This figure was likely to increase after accounting for the un-allocated expenditure of Rs. 21.19 million, and shortfalls, if any in valuation of stocks. Equity to the extent of 20 per cent already stand eroded. The Corporation had been a losing concern throughout. During the post-evaluation period 1983—85, the increased sales revenue was, nullified by a significant increase in operating expenses, which in the year 1984-85 constituted 53.43 per cent of sales, registering an increase of 177.46 per cent the previous year. A break-down of the said increase would show major increase in Head Office administrative expenses *i.e.* 141 per cent over the previous year. It is note-worthy that a computer had been installed for better management of inventory when the inventory evaluation itself was open to question. This sort of capital expenditure add to the burden of financial charges which registered an increase of 204 per cent over 1983-84. Despite low inventory turn-over (only 0.39 times in 1984-85) and piling up of stocks, the Corporation engaged itself in purchases of gem-stones amounting to Rs. 3.53 million whereas its purchases during this year amounted to Rs. 3.98 million *i.e.* 13 per cent more than sales. Corporation's present policy of purchases of gem-stones from local market instead of disposing of its own stocks, needed a review particularly in view of its financial difficulties.

828. The Corporation had diversified its product line and was now also manufacturing gem-studded jewellery primarily for export. The figures given below indicate that the Corporation was now concentrating more on the manufacture and sales of Jewellery than on the extraction of gem-stones, its original business, with the result that inventory of gem-stone was piling-up for want of aggressive marketing :—

Year	Total sales	Jewellery (as % of sales)	Gemstones (as % of sales)
1983-84	9.10 million	34.16%	65.84%
1984-85	13.99 Do.	74.76%	24.24%

829. The Corporation exported gem-stones worth US dollar 72,580 and £4,000 in the year 1984-85. The total exports from Peshawar (from public and private sector both) in the same year were for US dollar 22,72,887 with Corporation's share of about 3.5 per cent which needs to be enhanced through marketing efforts abroad.

830. The Management was not adhering to the existing rules approved by its Board of Directors regarding the valuation of gem-stones for purchases and sales. The valuations appeared to be casual and tentative, due to which the annual accounts for the year 1980-81 were revised twice with 4.54 per cent value increase in the first revision and 23.73 per cent decrease in the second valuation for the same stocks. Again, during an auction, stocks valued at Rs. 2.26 million were actually sold out for Rs. 4.4 million. Since the entire business of the Corporation relating to sales, purchases mainly hinged on the valuations of gem-stones the desirability of complying with the approved rules needed to be pressed.

831. As mentioned in the Evaluation Report, the probability of favourable results in the near future, given the existing performance pattern, was not high.

832. The Department explained in detail the working of the Corporation with special reference to Audit Observations, and reported that gem-stone trade was a highly sophisticated field. They had to train their officers with the help of foreign countries to keep a structure of highly trained officers. Gems being a luxury item, a lot of it required export through legal channels as other exporting countries in this field take their goods to the door steps of customers in foreign countries. The Corporation was also trying to extend their activities to foreign countries. As far valuation method. this was very sophisticated and complicated process. There had been revolutionary charges in world gem market. It was through long research, that colour grading had to be developed. The different shade of the stone fetch variable prices. The valuation was not arbitrary, the officers had to be very objective and cautious, in view of sensative commodity.

833. A Memebr pointed out that the Corporation was proposing to many functions and suggested that some of the functions should be withdrawn. There should be a training institute. They should concentrate on sale and production only, which would produce better results.

834. The Department agreed that there should be institute to spread the latest technical knowledge for use of tools for better cutting and thus better quality of gems. Pakistan possessed very good mines, which were capable of producing high class jewellery which had ready market in Middle East. The Chairman PAC on this observed that the Department should prepare a paper on the working of the Corporation including problems of promotion of sales, disposal of stocks and stores leakage. They were interested in a study.

835. The Committee directed that question of diversities in some of the functions of the Corporation may be looked into and a report should be submitted to PAC.

836. *Points not Discussed to be Treated as Settled.*—The Committee did not make any observation on the other points paras in the Appropriation Accounts, Audit Report, (Civil and Commercial Accounts) and Performance Evaluation Report. These would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 17th February, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 22nd July, 1987

Nineteenth Sitting (PAC)

*1148. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A.	.. ..	*Chairman.*
(2) Sardar Aseff Ahmed Ali, M.N.A.	.. .. ..	*Member.*
(3) Rai Arif Hussain, M.N.A. ..	.. .. ..	*Member.*
(4) Ch. Muhammad Sarwar Khan, M.N.A.	.. ..	*Member.*
(5) Mr. Miangul Aurangzeb, M.N.A.	.. .. ..	*Member.*
(6) Shahzada Jam Muhammad Yusuf, M.N.A.	.. ..	*Member.*

National Assembly Secretariat :

(1) Mr. K.M. Chima, Secretary.

(2) Ch. Abdul Qadir, Additional Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(5) Mr. Ahmad Nawab Qureshi, Director General (CA).

(6) Mr. Irfan Husain, Director General (A&A Works).

Ministry of Finance and Planning Division :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Mr. Muhammad Rafiq Asghar, FA (Petroleum and NR).

(3) Mian Abdul Hakim, Director (Project Wing) Planning Division.

(4) Mr. Sajid Hussain, Deputy Silicitor, Justice Division.

1149. *Accounts Examined.*—Accounts pertaining to the Ministry of Petroleum and Natural Resources were examined by the Committee during the course of the day.

*Paragraphs upto 1147 pertain to other Ministries/Divisions.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

1150. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Petroleum and Natural Resources. The following departmental representatives were present :—

(1) Mr. Bashir Ahmed, Secretary.

(2) Mr. Abdul Hameed, Joint Secretary.

(3) Mr. Mahboob Elahi, Deputy Secretary.

(4) Mr. Zakauddin Malik, Chairman (O.G.D.C.).

(5) Mr. Zahid Hasan, Director Finance (O.G.D.C.).

(6) Dr. S.A. Bilgrami, Chief Executive (RDC).

(7) Mr. A.H. Kazmi, DDG (G.S.P.).

(8) Mr. Shahid Ahmad, D.G. (PC).

(9) Brig. Kaleemur-Rehman Mirza, MD (GEMCP).

(10) Mr. Hilal A. Raza, D.G. (MDIP).

(11) Mr. Muhammad Iqbal, Director Incharge (Energy Resources).

1151. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
	1983-84	
1.	Ministry of Petroleum and Natural Resources	101
2.	Geological Survey	102
3.	Other Expenditure of Ministry of Petroleum and Natural Resources	103
4.	Development Expenditure of Ministry of Petroleum and Natural Resources	157
5.	Capital Outlay on Petroleum and Natural Resources ..	182
6.	Capital Outlay on Mineral Development	183
	1984-85	
1.	Ministry of Petroleum and Natural Resources	104
2.	Geological Survey	105
3.	Other Expenditure of Ministry of Petroleum and Natural Resources	106
4.	Development Expenditure of Ministry of Petroleum and Natural Resources	163
5.	Capital Outlay on Petroleum and Natural Resources	187
6.	Capital Outlay on Mineral Development	188

APPROPRIATION ACCOUNTS—1983-84

1152. *Grant No.* 101—*Ministry of Petroleum and Natural Resources* (*Page* 796-*AA*).—The Grant closed with an excess of Rs. 713,005. An excess amount of Rs. 619,973 was reported to be due to payment of advance salary on Eid. A Supplementary Grant of Rs. 337,028 was approved by Finance, but could not be printed in the Book of Supplementary Grants. The Committee recommended the excess for regularisation through Excess Budget Statement.

1153. *Grant No.* 102—*Geological Survey* (*Page* 799-*AA*).—According to Appropriation Accounts, there was a saving of Rs. 24,774,745 under this grant. The Department in their reply informed the Committee, that figures of expenditure had not correctly been printed in the Appropriation Accounts. Actually there was an excess of Rs. 689,060 under this grant. Audit accepted the departmental point of view.

1154. The representative of Finance pointed out that a line was required to be drawn between the excess expenditure authorised with the approval of Federal Government and excess expenditure not authorised by the Government (Finance). Only those, excesses should be taken up through Fxcess Budget Statement which were authorised. The Chairman P.A.C. observed that this matter should be sorted out in consultation with Justice Division. The excess was, however, recommended by the Committee for regularisation through Excess Budget Statement.

1155. *Grant No.* 103—*Other Expenditure of Ministry of Petroleum and Natural Resources* (*Page* 802-*AA*).—There was a saving of Rs. 604,056,550 which was surrendered in time. The Committee did not make any observation on it.

1156. *Grant No.* 157—*Development Expenditure of Ministry of Petroleum and Natural Resources* (*Page* 806-*AA*).—The Grant closed with a saving of Rs. 2,860,930. The Department explained that saving of Rs. 1.5 million was surrendered and remaining saving was due to non selection of consultants. The Committee accepted the explanation.

1157. *Grant No.* 182—*Capital Outlay on Petroleum and Natural Resources* (*Page* 808-*AA*).—There was a saving of Rs. 776,087,628 under this Grant. The Department explained that an amount of Rs. 209,087,628 was surrendered and another saving of Rs. 474,401,000 was attributed to short release of local currency in the last quarter of the year, and also Foreign Aid disbursements were not according to anticipation. The Committee accepted the explanation.

1158. *Grant No.* 183—*Capital Outlay on Mineral Development* (*Page* 818-*AA*).—This Grant closed with a saving of Rs. 18,682,784. The Department explained that the saving was surrendered. The Committee did not make any observation.

APPROPRIATION ACCOUNTS—1984-85

1159. *Grant No.* 104—*Ministry of Petroleum and Natural Resources* (*Page* 794-*AA*).—There was an excess of Rs. 745,537 under this grant. The Department explained that the main excess was due to wrong booking. The Committee accepted the explanation and recommended the excess for regularisation through Excess Budget Statement.

1160. *Grant No.* 105—*Geological Survey* (*Page* 796-*AA*).—The Grant closed with a saving of Rs. 1,756,792. The Committee did not make any observation over this saving.

1161. *Grant No.* 106—*Other Expenditure of Ministry of Petroleum and Natural Resources.*—There was a saving Rs. 11,768,219 under this grant which was within permissible limits and as such the Committee did not make any observation.

1162. *Grant No.* 163—*Development Expenditure of Ministry of Petroleum and Natural Resources* (*Page* 802-*AA*).—There was a saving of Rs. 5,539,751, which was surrendered in time. The Committee did not make any observation.

1163. *Grant No.* 187—*Capital Outlay on Petroleum and Natural Resources* (*Page* 806-*AA*).—This grant closed with a saving of Rs. 1,066,457,564, which was attributed to delay in the Development Loan Agreements and other technical difficulties in the projects, where government had only some percentage share of interest. The Committee accepted the explanation of the Department.

1164. *Grant No.* 188—*Capital Outlay on Mineral Development* (*Page* 816-*AA*).—The Grant closed with a saving of Rs. 17,634,195 out of which an amount of Rs. 16,373,300 was surrendered in time. The Committee did not make any observation.

AUDIT REPORT—1984-85

1165. *Wasteful Expenditure of Rs.* 31,386 (*Para* 1, *page* 124-*AR*).—Audit pointed out that in July, 1984, an amount of Rs. 6 million was incorrectly paid to the National Bank for importing solar modules by the Energy Resources Department. Subsequently it was noticed that it was a donation to Government of Pakistan. The Bank keeping the amount for six months, refunded the amount after deducting L|C opening charges of Rs. 31,386. This resulted in parting with the amount of Rs. 6 million for six months and also incurring a wasteful expenditure of Rs. 31,386 as L.C. charges. The Department submitted that the L.C. was opened with National Bank for import of Solar equipment and

Rs. 6 million paid to the Banks as 100 per cent coverage. The National Bank refunded Rs. 5,968,614. The Charges were genuine and payable. The Committeed directed the Department to be careful in future. The paragraph was settled.

COMMERCIAL ACCOUNTS—1983-84

Makerwal Collieries Limited

1166. (*Working Results*) (*Para* 203, *page* 149-*ARCA*).—According to Audit, cost of Production at Mines increased from Rs. 536 per ton in 1982-83 to Rs. 615 in 1983-84. Average sale price per ton increased from Rs. 508 in 1982-83, to Rs. 617 in 1983-84. Administrative, selling and distribution expenses also increased from Rs. 37 per ton in 1982-83 to Rs. 57 in 1983-84. MD, PMDC stated that there was no doubt that Coal Mining in private sector was profitable. He submitted that a study was now being made to find out measures that could improve the financial viability of Coal and Salt Mining in Public Sector. The Auditor-General suggested that it should also be examined as to why mining should at all be done in Public Sector. Secretary, Petroleum stated that dis-investment will have social and political repurcussions. The PAC deferred a decision till the promised report was made available.

P.M.D.C. Coal Washing Plant

1167. (*Para* 207, *page* 151-*ARCA*).—Audit pointed out in their report that PMDC installed a Coal Washing Plant at Sharigh with the help of loans of Rs. 11.56 million and Rs. 16 million from IDA Canada and Government of Pakistan respectively. The Plant was completed in April, 1980 but it had not started Commercial Production as yet due to some inherent design defects. The Department explained that it was a Canadian Plant which due to certain design defects, failed to give capacity performance. There were certain other difficulties also. The Pakistan Steel backed out from their commitments besides a Railway problem on Harnai Section. An enquiry was held. The problems were being sorted out. The Committee directed that a paper being prepared by the Ministry should be submitted to P.A.C. It should cover working of this plant also.

COMMERCIAL ACCOUNTS—1984-85

1168. *Loss due to delay in lifting of material Rs.* 241,800 (*Para* 31, *page* 46-*ARCA*).—As per Audit, OGDC placed orders with M/s. WAH BOFORS for supply of explosives and electric detonators valuing Rs. 12.9 million in 1981-82. Supplier enhanced the rates because project authorities failed to lift entire quantity within stipulated 6 months period. Resultantly Corporation sustained a loss of Rs. 241,800. The Department informed to the Committee that due to technical reasons it was not possible to assess the requirement accurately. The material was perishable and could not be stored in sensible tribal areas in bulk. In this case explosive and electric detonators were left out in balance, which resulted in difference of cost due to escalation. This was done to ensure un-interrupted supply of explosives to the field parties. The Committee directed that the Department should be careful in future. The paragraph was settled.

1169. *Loss of Rs.* 116,220 *due to non-Insurance of Vehicle* (*Para* 33, *page* 47-*ARCA*).—According to Audit, a vehicle issued to a project of OGDC was damaged due to an accident. It resulted in a loss of Rs. 116,220 because vehicle was put on road without insurance cover and claim could not be lodged. The Department reported that the vehicle was put on emergency duty which could not be deferred. It was admitted that it was an omission, but committed in unavoidable circumstances. The Committee directed that the Department should be careful in future. The paragraph was settled.

1170. *Payment of Rs.* 154,510 *due to irregular appointment of an officer* (*Para* 34, *page* 48-*ARCA*).—Audit pointed out that OGDC appointed Manager procurement without verifving the genuineness of his qualification in November, 1978. His services were terminated in January, 1983 as he failed to produce his M.Sc. Degree. Thus the officer was irregularly allowed to hold office for four good years resulting in an irregular payment of Rs. 154,510. The Department explained that no Academic Qualification was laid down for the post and the appointment was made by Competent Authority on the basis of his experience. He produced Photo Copies of his Degree. All attempts were made to verify the qualification. It was during this process that it came to light that it was a fake degree. The Commitment settled the paragraph.

Pakistan Mineral Development Corporation

1171. *Increasing Operating Losses* (*Para* 324, *page* 199-*ARCA*).—According to Audit, 6 of the 11 projects of PMDC sustained operating loss of Rs. 28 million during 1984-85 as compared to loss of Rs. 22 million during the previous year. These included salt Mines Khewra, Warcha, Kalabagh, Sharigh Collieries, Lakhra Coal Mines and SOR-Range Quetta. Accumulated loss of the projects amounted to Rs. 108 million as on 30th June, 1985. Projects having no equity capital of their own were wholly dependent on borrowed funds. The Department admitted that overall performance of PMDC was not upto the mark. In 1984 mines were leased out by Provinces to Private Sector. Salt Mines were very old. In certain cases there were 100 years old. Overhead charges were much more at the present. Private Sector was beating the corporation in exports. Coal Mines were also going under loss due to depressed market. PMDC was trying to sort out all these problems. The Committee after a detailed discussion directed that a paper on the working of the Corporation and steps being taken for improvement should be submitted to P.A.C. with particular reference to the point that why should it be in a Public Sector.

1172. *State Audit of Gas Companies* [*Para* 70 (7, 10, 11), *page* 72-*ARCA*].—Audit pointed out that the Gas Companies have not yet agreed to State Audit despite the fact that Government investment in almost all the Companies was more than 50 per cent:

(i) Sui Northern Gas Pipelines Limited.

(ii) Southern Gas Company Limited.

(iii) Quetta Gas Pipelines Project.

(iv) Sui Gas Transmission Company Limited.

The Department agreed to produce the records and promised that Audit will be informed of the date on which these will be produced. The Committee directed that Records must be produced to Audit.

1173. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paragraphs|points in the Appropriation and Commercial Accounts and Audit Report thereon. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

K. M. CHIMA,
Secretary.

Islamabad, the 6th January, 1988.

Annexure 'G'

FEDERAL COUNCIL SECRETARIAT

Wednesday, the 31st October, 1984

Ninth Sitting (PAC)

*1331. The Public Accounts Committee assembled at 9.00 a.m., in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were Present :—

P.A.C :

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice-Chairman*

(2) Syed Saieed Hasan, Member, Federal Council .. *Member.*

(3) Akhunzada Bahrawar Saeed, Member Federal Council *Member.*

(4) Mir Jam Ghulam Qadir Khan, of Lesbela, Member, Federal Council .. .. *Member.*

(5) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*

(6) Mr. Yusuf Bhai Mian Chartered Accountant .. *Member.*

Federal Council Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (CO-ord).

(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.

(6) Mrs. S.N. Sheikh, Director General, Commercial Audit.

Ministry of Finance :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Mr. M. Rashid Khan Baloch, FA (Education).

(3) Mr. Vakil Ahmed, DFA (Education).

*Paragraphs upto 1330 and 1332 to 1388 pertain to other Ministries/Divisions.

MINISTRY OF EDUCATION

1389. The Committee took up the last item for the day, namely the examination of the Appropriation Accounts etc., pertaining to the Ministry of Education. The following departmental representatives were present :—

(1) Mr. Saeed Ahmad Qureshi, Secretary.

(2) Dr. M.A. Qaseem, Joint Educational Adviser.

(3) Mr. Muhammad Idris, Joint Secretary.

(4) Mr. Iqbal Ahmad, Deputy Secretary.

(5) S. Muhammad Ali Rizvi, Section Officer (F&A).

(6) Col. (Retd.) Muhammad Aslam Saleemi, Director (F.G.E.I.), Islamabad.

(7) Maj. Sikandar Iqbal, Director (F.G.E.I.), Cantts. and Garrisons.

(8) Mr. Muhammad Mohsin, M.D. (National Book Foundation).

1390. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Education..	34
2.	Education	35
3.	Federal Government Educational Institutions in the Capital and Federal Areas	36
4.	Federal Government Educational Institutions in Cantonments and Garrisons	37
5.	Development Expenditure of Ministry of Education ..	147

1391. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of Accounts for 1984-85 upto 30th September, 1984 had not yet been completed. *The Committee directed the departmental representative to get the reconciliation work after June, 1980 expedited.*

APPROPRIATION ACCOUNTS

1392. *Grant No. 34—Ministry of Education (Pages 328—330-AA).*—Audit had reported a net saving of Rs. 345,789 under this grant. The Ministry explained that there was a printing mistake. In fact there was no saving but an excess expenditure of Rs. 435,789 which was not very large and had been explained against object 411—500—Commodities and Services.

1393. The explanation of the department for the excess was accepted and no further observation was made by the Committee in regard to this grant.

1394. *Grant No. 35—Education (Pages 344—346-AA)*.—A net excess of Rs. 25,991,403 had been shown against this grant. It was explained by the Ministry that Audit had not taken into account Supplementary Grants amounting to Rs. 25,782,200. After adding this, the net-excess had come to Rs. 209,203. The excess was 0.46% of the grant which was nominal and had been explained against respective functional classification.

1395. Audit stated that the department had included supplementary grants of Rs. 25,782,200 in addition to that of Rs. 3,267,000 shown in the Book of supplementary grants. The Ministry stated that the schedule of supplementary Grant was sent to Finance Division on 20-4-1982. Audit maintained that this was a matter to be looked into by the Ministry and the Finance Division.

1396. The Vice-Chairman, thereon, observed that the Ministry claimed that a schedule of Supplementary Grants was sent by them to the Finance Division within time. The representative of the latter however, informed the Committee that he had checked his record and could not find such a schedule, in the Finance Division. In fact the Finance Division had written to the Ministry that they should depute their own people to come and verify the position.

1397. After discussion, *the Committee came to the conclusion that several cases in the Accounts for 1981-82 came to its notice where Ministries were not clear about the correct procedure and time limits to be observed by them for getting their sanctioned Supplementary Demands included in the printed schedule of Supplementary Demands. The Committee therefore, directed that a reiteration of the correct procedures and time limits should be considered by the Finance Division. The Ministries etc. should in future follow the correct procedure and time limits prescribed by the Finance Division.*

1398. *Grant No. 36-Federal Government Educational Institutions in the Capital and Federal Areas (Pages 308—350-AA)*.—Audit had exhibited a net saving of Rs. 35,049 under this grant. The Ministry stated that the saving was of nominal value being 0.09% of the Final Grant and was well within the permissible limit of 5%.

1399. In view of the above fact, the Committee did not make any observation in regard to this Grant.

1400. *Grant 37—Federal Government Educational Institutions in Cantonments and Garrisons (Pages 352-353-AA.)*—A net excess of Rs. 2,232,722 had been exhibited against this grant. The Ministry explained that the excess was due to not taking into account Supplementary Grant of Rs. 3,000,000 sanctioned *vide*

Supplementary Grant Schedule No. 9—16/82-Budget (C/G) dated, 19-5-1982 After taking this into account there would be a saving of Rs. 767,278 which was 1.08% of the Final Grant and within the permissible limit of 5%.

1401. Audit commented that the Supplementary Grant (Rs. 3,000,000) was not included in the printed book of Supplementary Grants, hence there was no question of its being taken in the Appropriation Account. The schedules for Supplementary Grant was submitted by the Ministry on 19-5-1982 hence it was not included. Reasons for this delayed submission needed to be given.

1402. In view of the above comments of the Audit, *the Committee observed that the position was the same as discussed in Grant No. 35 as such, the same directive was also applicable to this grant.*

1403. *Grant No. 147—Development Expenditure of Ministry of Education (Pages 336—342-AA).*—Audit had reported an overall net excess of Rs. 10,281,443 under this grant. The Ministry stated in their reply that the total Supplementary Grant sanctioned during the year amounted to Rs. 8,570,000. Thus the Final Grant after Economy Cut and surrender of Rs. 111,031,615 had come to Rs. 415,346,285. According to the reconciled figures, a total expenditure of Rs. 414,647,632 was incurred against the Final Grant of Rs. 415,346,285. There was thus a saving of Rs. 698,653 which was 0.17% of the Final Grant and well within the permissible limit of 5%.

1404. The Committee directed the departmental presentative that the reason for surrendering the amount should be furnished to the Committee. The Ministry submitted the reasons for surrender of funds, which were mainly due to non-materialisation of various projects.

AUDIT REPORT

Irregularities in the Federal Government Colleges/Schools during 1974—80.

1405. *Federal College of Education [Para 3 (A), page 84-AR].*—Audit had reported the following irregularities :—

(i) An amount of Rs. 411,000 was released by the Ministry of Education during 1979-80 to Federal College for payment of stipends, lecture fees, TA/DA, purchase of Laboratory equipment etc. The amount was deposited in a bank. The unspent balance of Rs. 102,928 required to be surrendered at the close of year was however deposited with C.D.A for construction of an office building. The payment for construction work was being made by the Ministry directly and the College had no concern with it. The utilisation of the amount for a purpose other then that specified, was un-authorized.

(ii) Rs. 1,150,000 were provided to the National Agrotechnical Teachers Training Centre in July, 1976. The Centre was to be merged with the Federal College in July, 1978. It was, however, merged on 19th October, 1978. Upon merger, an unspent balance of Rs. 294,139 with the Centre, it being an autonomous body should have been surrendered but was utilised by the College.

(iii) Furniture and equipment worth Rs. 295,988 were purchased during 1975—80 without calling for quotations or tenders as required under the rules.

(iv) Honorarium of Rs. 8,400 was paid to the staff of the Innovative Science Project in July, 1979 without issuing any formal sanction.

1406. As for Audit objection, in (i), the Ministry explained that the scheme comprised payment of stipends, lecture fees, TA/DA, purchase of laboratory equipment, construction of office building etc. The saving of Rs. 102,928 pertaining to payment of stipend etc. was utilised to meet the excess expenditure on account of construction of office building of the same scheme through the CDA, which was subsequently regularised.

1407. As for Audit objection (ii) the Ministry explained that though National Agrotechnical Teachers Training Centre was merged with the Federal College of Education in July, 1978, the creation of posts in the Federal College of Education to absorb the staff of the N.A.T.T.C. took a long time. Their salaries were, therefore, met from the unspent balance of Rs. 294,139. Finance Division had also accorded its *ex-post facto* approval to the utilization of the unspent balance. After the posts were created the unspent balance of Rs. 30,702 was deposited in the Treasury.

1408. As regards objection (iii), the Ministry stated that the purchases generally related to those items which were purchased out of the releases made during the last month of the financial years from 1973-74 to 1979-80. It was regretted that tenders could not be invited for want of time. However, the purchases were made on most economical basis keeping in view the tenders and quotations invited previously for purchase of similar stores and after obtaining prices from various dealers in the open market by personal visits.

1409. As far item (iv) the Ministry stated that it was regretted that the honorarium was sanctioned without the approval of competent authority. However, Finance Division in view of nature of job performed by the officials, had accorded *ex-post facto* approval to the honorarium.

1410. After discussion, the Committee directed the departmental representative to hold an inquiry for not inviting tenders relating to item (iii) for fixing the responsibility and for taking suitable action and furnish a report thereon to Audit who may come back to the PAC, if deemed necessary, subject to the directions, the paragraph was dropped.

1411. *Federal Government College (Men) No. 1 [Para 3(B)(i), page 85-AR]*.—Audit had reported the following un-authorized expenditure : (a) Rs. 300,000 were sanctioned by the Ministry in December, 1975 for the purchase of scientific equipment and apparatus. The funds were utilized on purchases of furniture, crockery and books in May and June, 1976, and without adopting the open tender system, (b) In June, 1977, Rs. 28,450 were spent without proper sanction on the purchase of bus spare parts though not required for immediate use. This was to avoid the lapse of the budget grant. The open tender system was not adopted either, (c) Record of stock articles purchases for Rs. 58,539 from 1975 to 1978 were not available on and were not produced for audit, (d) Stocks articles for Rs. 148,403 were purchased in 1976-77 without adopting open tender system. The Committee directed that the lapses in (a) and (b) be regularised and the records for (c) be produced to Audit. Subject to the direction, the paragraph was dropped.

1412. *Loss of Public money [Para 3 (B) (ii), page 85-AR]*.—Audit had reported as under :—

(a) A drawal of Rs. 12,764 on 30th June, 1975 was not shown in the Cash Book. The bills, and the receipt and disbursement of the amount were not on record.

(b) Rs. 10,329 were paid for books to a firm on 27th February, 1975. Again, on 28th June, 1975 Rs. 10,329 were paid to the same firm. The acknowledgement of the recipient and accountal of the two consignments of books were yet to be produced.

(c) Due to non-observance of proper vigilance in cash transactions, double payments to the extent of Rs. 6,495 were made on account of cost of books, electricity and gas charges. The losses have not yet been recovered from the parties concerned.

1413. The Ministry explained that on Inquiry Committee was constituted to enquire into the losses of public money. Action was being taken in the light of the recommendations of the Inquiry Committee.

1414. The Committee directed the department to look into the matter again and ensure that such lapses are not repeated in future. A report may also be sent to Audit on the action taken by the department in the light of the recommendations of Inquiry Committee. Subject to the directions, the paragraph was dropped.

1415. *Federal Government College (Men), No. 2 [Para 3(C), page 85-AR].*—Audit reported that Development Grant of Rs. 500,000 was placed at the disposal of the Principal, Federal Government College, for Men, Islamabad for the purchase of Science apparatus and books during 1978-79. But the unspent balance on this account amounting to Rs. 89,829 was utilised unauthorisedly for the purchase of dead stock articles, office equipment, etc., without obtaining the permission of the Ministry. Such action was irregular.

1416. The Committee was informed that the aforesaid expenditure had been regularised. It was therefore, decided to drop the paragraph.

(i) *Federal Government Comprehensive Girls High School No. 2 [Para 3(D), page 86-AR].*

(ii) *Outstanding Audit and Inspection Reports (Para 1, page 180-AR).*

(iii) *Delay in processing of G.P. Fund and Pension cases (Paras 2-3, pages 281—284 and 286—289-AR).*

1417. Since the replies of the Ministry were admitted by Audit, the Committee decided that the paragraphs be treated as settled.

COMMERCIAL ACCOUNTS

National Book Foundation

1418. *Loss of Rs. 44,110 due to shortage of Paper (Para 17, page 27-ARCA).*—The Ministry reported that the difference between Audit and the Ministry had since been reconciled and verified by the former in October, 1983. The Committee, therefore, decided that the paragraph be treated as settled.

1419. *Working result of National Book Foundation (Para 139, page 89-ARCA).*—Audit had reported that the Foundation sustained a net loss of Rs. 1.523 million during the year 1981-82 as against a net loss of Rs. 2.071 million, raising the accumulated loss for the previous year Rs. 10.244 million on 30th June, 1982. The loss was attributed mainly to excessive operating expenses (Rs. 5.693 million). Audit further stressed that all out efforts were required to be made to control the operating expenses so as to make the Foundation a self-sustaining and viable organisation.

1420. Audit further reported that an amount of Rs. 1 million was received from the Government during June, 1977 to meet the expenditure on the implementation of a project relating to the National Publication Committee for the year 1976-77. The amount had not been utilized for the purpose for which it was sanctioned. Reasons for the retention of the funds needed to be given.

1421. The Ministry explained that necessary steps had already been taken not only to control the expenditure but to reduce the operating expenses to the bare minimum.

1422. The Ministry further stated that the work on National Committee Publications had been stopped by the Government in 1977 till further orders. There was no change in this decision so far.

1423. The Audit commented that the Foundation sustained operating loss of Rs. 0.988 million during the subsequent year, namely, 1982-83 thus raising accumulated losses to Rs. 10.809 million.

1424. The Vice-Chairman enquired as to where the sum of Rs. 1 million was lying? The departmental representative replied that it was with the National Book Foundation. Thereupon, the Vice-Chairman remarked that it was not meant for the National Book Foundation. Something should be done before further objections are raised later on.

1425. The Committee observed that Government orders should be obtained in respect of the aforesaid amount of Rs. 1 million which was stated by the Audit to have been utilized for a purpose other than that for which it was sanctioned. Subject to that observation, the paragraph was dropped.

1426. [*Para 140(i) and (ii), page 89-ARCA*].—The paragraph was dropped subject to satisfaction of Audit.

1427. (*Para 141, page 89-ARCA*).—The Committee sought clarification from the departmental representative about the balance in the Bank it was stated to be 7 million. Thereafter the Committee did not make any observation on the paragraph.

1428. (*Para 142, page 89-ARCA*).—Audit had pointed out that physical verification of fixed assets and stock worth Rs. 0.685 million and Rs. 17.852 held by the Management as on 30th June, 1982 was not carried out at the close of the year 1981-82 and as such they represented book figures only. A Fixed Assets Register was also not maintained by the management.

1429. The Ministry explained that the physical verification of stock as on 30th June was carried out every year by the internal Auditors. This would also be done in respect of Fixed Assets as advised by Audit. Fixed Assets Registers had since been prepared.

1430. Audit maintained that a shortage of books and paper of the value of Rs. 279,585 was noticed as on 30-6-1983 required investigation for fixing responsibility.

1431. The departmental representative informed the Committee that an inquiry had been started and investigation was in progress. Thereupon, *the Committee directed that the investigation should be completed early and a copy of the report furnished to Audit, for passing on its comments to the PAC. The paragraph was deferred.*

COMPLIANCE ON THE POINTS RAISED IN PAC 1979-80 REPORT

1432. (*Paras 120-122, pages 81-82-PAC Report 1979-80*).—The departmental representative informed the Committee that the above-mentioned paragraphs had been settled. The Committee, therefore, agreed to drop the paragraphs.

1433. *Irregularities in a Board's Office* [*Para 12(i), page 24-AR*] (*Paras 127—129, page 83-PAC Report 1979-80*).—The Committee had previously directed that there should be an early meeting between the Education Ministry and the Establishment Division, to resolve the issue in regard to the regulations of the Board and settlement of the terms and conditions of the former Chairman of the Board Office. In compliance, the Ministry informed the Committee that the terms and conditions for the former Chairman had since been finalised in consultation with the Establishment Division *vide* Notification No. F. 10-96/75-ADMN. II dated 12th January, 1984.

1434. In view of the above position, *the Committee directed that approval of the Establishment Division should be obtained as early as possible. Regarding Regulations of the Board the Ministry after their approval had sent these Regulations to Establishment Division on 7-9-1982. Pending approval of these Rules/Regulations by Establishment Division, Government Rules were being followed.*

1435. *Irregular payment of Rs. 14,294 to a Chairman, and Big payment of salaries and benefits to an ex-Chairman* [*Para 12(iii) and (iv), pages 24-25-AR*] (*Paras 131-132, page 83-PAC Report 1979-80*).—After discussion, the Committee decided that subject to verification by Audit the paragraphs be treated as dropped.

1436. *Notes on Accounts* (*Para 244, page 607-CA*) (*Para 136, page 84-PAC Report 1979-80*).—In compliance, it was explained that Cash at Bank amounting to Rs. 8,600,000 shown in the Balance Sheet of 1978-79 was due to the release of an amount of Rs. 5,000,000 from Government on 30th June, 1979 for the supply of the supplementary reading material. A sum of Rs. 5,200,000 was invested out of Rs. 8,600,000 in Fixed Deposit and Khas Deposits. This fact had been verified by the Audit Officer. The rest of the funds of Rs. 3,400,000 was not invested in order to keep working capital in hand for carrying out the operation of the Foundation. The National Book Foundation had earned an interest of Rs. 437,395 as a result of the above investment.

1437. The Vice-Chairman enquired as to why did the department keep the money when LC was to be opened in August, 1979. It could have been kept in short-term deposit. The departmental representative agreed to the above suggestion.

1438. After discussion, the Committee directed that large sums of money are in hand, should be carefully invested so as to bring the maximum possible return. Subject to the directions, the paragraph was dropped.

1439. *Against the item "5.3—Other Finance" (Page 605-CA) (Para 137, page 84-PAC Report 1979-80).*—The Committee had previously directed the departmental representative to clarify whether any interest was paid by the Book Foundation to the customers on the advance paid by them, in compliance the Ministry explained that the details of the figure were under preparation and would be furnished shortly. It was, however, clarified that no interest was paid by the National Book Foundation to the customers on the advances paid by them.

1440. In view of the position stated above, *the Committee directed the departmental representative to provide to the Audit the details of advances at 30th June, 1987. The paragraph was, therefore, deferred.*

1441. *Compilation of Accounts for 1981 (Para 139, page 85-PAC Report 1979-80).*—In compliance, the Ministry stated that the Accounts of the National Book Foundation were generally made available to Audit by the end of December each year. The Committee accepted the above explanation of the department and the paragraph was dropped.

1442. *Pricing policy of National Book Foundation (Paras 140-141, page 85 of PAC Report 1979-80).*—After examining the reply of the Ministry, the Committee decided to drop the above mentioned paragraphs.

1443. *Book Debts (Para 233, page 125-ARCA) (Paras 142-143, page 86-PAC Report 1979-80).*—The Committee was informed that had since been recovered from the University Grants Commission. Thereupon, the Committee did not make any further observation and the paragraphs were dropped.

1444. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in Appropriation and Commercial Accounts 1981-82 or the Auditor General's Report thereon; and (ii) Compliance on the PAC's Report for 1979-80. These would be treated as settled subject to such regularisation action as might be necessary under the rules.

1445. The Committee, then adjourned to meet again at 9.00 a.m. on Thursday, the 1st November, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 12th January, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 5th May, 1986

Eighth Sitting (PAC)

*433. The Public Accounts Committee assembled at 09.00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(4) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(5) Malik Said Khan Mahsud, M.N.A. .. .. .. *Member.*

National Assembly Secretariat :

(1) Ch. Abdul Qadir, Joint Secretary.

(2) Mr. Muhammad Aslam, Deputy Secretary.

(3) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(6) Mr. Iftikhar Ali Khan Raja, Director General (A&A Works) Lahore.

(7) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

(8) Mr. Sikandar Aziz Eskar, Director Revenue Receipt Audit.

Ministry of Finance :

(1) Mr. S. M. Hasan, FA (Education).

(2) Mr. I.A. Saeed, DFA (Education).

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*Paragraphs upto 432 and 434 to 475 pertain to other Ministries/Divisions.

MINISTRY OF EDUCATION

476. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Education. The following departmental representatives were present :—

(1) Mr. Saeed Ahmed Qureshi, Secretary.

(2) Mr. Iqbal Ahmad, Joint Secretary.

(3) Mr. Abdullah Khadim Hussain, JEA.

(4) Mr. Nazar Abbas Siddiqui, JEA.

(5) Mr. Shahzada Hasan, DEA.

(6) Mr. Munir Ahmed, DEA.

(7) Mr. S. Muhammad Ali Rizvi, Section Officer.

(8) Mr. M. Mohsin, MD (NBF).

(9) Brig. Muhammad Said, Director FGEI (C|G).

(10) Maj. Safdar Mahmud, AEC, GSO-2, FGEI (C|G) GHQ.

(11) Mr. G. M. Shah, Director (FGEI).

(12) Mr. Habib-ur-Rehman, AEA.

477. This Ministry controlled the following Grants :—

Sl.No.	Name of Grant	Grant No.
1.	Ministry of Education	34
2.	Education	35
3.	Federal Government Educational Institutions in the Capital and Federal Areas	36
4.	Federal Government Educational Institutions in Cantonments and Garrisons	37
5.	Development Expenditure of Ministry of Education	145

APPROPRIATION ACCOUNTS

478. *Grant No. 34—Ministry of Education (Page 232-AA)*.—The Grant closed with a net excess of Rs. 667,616. Major excess of Rs. 786,157 was incurred under object 500-Commodities and Service. The Department stated that excess expenditure was incurred by Education Section of Pakistan Embassy at Jeddah. The office was newly set and they were not aware that the expenditure, even if within entitlement, was not to be incurred without additional funds. They have been warned. The Committee accepted the explanation of the Department.

479. *Grant No. 35—Education (Page 243-AA)*.—This grant showed a net saving of Rs. 5,656,663. The Department explained that the saving was about one per cent and was within the limits. The Chairman remarked that these small savings when totalled up, go into billions. The Department should note that a satisfactory explanation must be there even for any small amount of saving. The Committee directed that the Ministry should be careful in future.

480. *Grant No. 36—Federal Government Educational Institutions in the Capital and Federal Areas (Page 245-AA)*.—The grant closed with a net excess of Rs. 3,284. The Committee did not make any observation.

481. *Grant No. 37—Federal Government Educational Institutions in Cantonments and Garrisons (Page 245-AA)*.—As per Appropriation Accounts, there was a saving of Rs. 11,217,781. The Department stated that actual saving was Rs. 784,393, which was about 1 per cent of Final Grant. The remaining amount of Rs. 10,433,388 pertained to a debit from CMA Karachi which could not be adjusted before the close of Accounts of Financial year.

482. The Committee directed that Audit should verify the position and the paragraph be dropped.

483. *Grant No. 145—Development Expenditure of Ministry of Education (Page 235-AA)*.—There was a saving of Rs. 13,827,743, which was within 5 per cent of the final grant. The Department explained that this was actually due to a short fall in Foreign Aid. The Committee accepted the explanation.

AUDIT REPORT

484. *Embezzlement of Rs. 639,742 in Islamabad College (Para 1, page 34-AR)*.—According to Audit Report, a Fee Clerk of Girls College embezzled an amount of Rs. 639,742 from January, 1975 to 1981. The fees were correctly entered in the register but showed incorrect totals on each page on various dates in the register. The fraud came to notice on receipt of a complaint from a

Naval Officer in 1981. Audit further held that Ministry of Education was advised many times to evolve a regular and effective system of internal checking of the formation, which was not done. The Department explained that the fraud could not be detected by the Audit Party at the time of Annual Audit. All the three officials responsible had been sacked and an effective internal check system had since been introduced to avoid recurrence. The case was presently in a Court of Law. The Committee observed that it should have been better if the steps would have been taken earlier. The paragraph, being subjudice, was deferred.

485. *Un-authorised retention of Fine Fund Rs.* 66,700 [*Para* 2 (*B*) (*ii*), *page* 35-*AR*].—It was pointed out by Audit that fines recovered from students for non-observation of college rules were deposited in a saving Bank Account. An amount of Rs. 65,515 out of balance of Rs. 66,700 as on June, 1980 was used towards expenditure. It was held by the Department that fine imposed for delay in payment of tution fee was not a Government money, which according to Audit, was not acceptable argument in absence of specific instructions. The Department explained that institutions need some flexibility, and it still held the same view, that it was not to deposited with Government. It was used for welfare of the students, by way of scholarships and books for study.

486. The Committee directed that the Secretary should examine the Audit point of view and submit a report regarding disposal of money recovered as fine from the students. The paragraph was deferred.

487. *Embezzlement of Rs.* 21,793 (*Para* 6, *page* 37-*AR*).—Audit pointed out that a Cashier of Girls High School made excess fraudulent drawals of Rs. 17,873 by altering totals of bills from March to November, 1981. An amount of Rs. 3,920 on account of sale proceeds of admission forms and amount of contingent charges, was also embezzled, and was not deposited in Government treasury. The Department explained that the case was registered with F.I.A. and Police, and was in a court of Law. The official had been dismissed from service but was reinstated to make him appear before the enquiry Committee and was absconding and was being chased. The internal controls had been tightened up. The Committee deferred the para as the case was subjudice.

COMMERCIAL ACCOUNTS

488. *Physical Verification of Assets by Public Sector Organisations* (*Para* 52, *page* 52-*ARCA*).—Audit held that according to accepted Accounting Principles physical verification was required to be held at least once in a year. This was not being done in Public Sector Organisations although the Audit had been reporting numerous cases of shortages. In the case of National Book

Foundation, books worth Rs. 279,585 were found short in physical verification. The Department explained that preliminary investigations had since been completed. It had been decided to effect recovery from defaulters. There was excess of Rs. 167,000 also, if this excess is adjusted against shortages, there will be a net shortage of Rs. 91,000. Moreover some shortages are allowed in Book Trade. Audit observed that shortages could not be adjusted against excess under the rules. The rules will have to be amended for allowing such adjustment. The paragraph was dropped subject to verification by Audit.

National Book Foundation

489. (*Para* 139, *page* 98-*ARCA*).—The Foundation sustained an operating loss of Rs. 0.988 million during the year, raising the accumulated loss to Rs. 10.809 million, as against loss of Rs. 1.549 million in the preceding year. The main reason of loss was low volume of sale of books which decreased by 9.38 per cent from Rs. 12.498 million in the previous year to Rs. 11.325 million during the year under review. The operating expenses had also simultaneously increased from Rs. 5.698 million of the previous year to Rs. 6.272 million for the year 1982-83, showing an increase of 10.07 per cent. All out efforts were required to be made to boost up the sales and to curtail the operating expenses so as to improve the financial position of the Foundation and making it a viable concern.

490. It was further pointed out by Audit that there was an operating loss of Rs. 3.001 million during 1984-85. Efforts were required to be made to boost up sales and to curtail operating expenses. The Department explained that investigations were being carried out and it was expected to curtail the expenditure and to keep it in proportionate to income. Losses would be eliminated. The books were being sold at cost price in certain cases.

491. A Member observed that the foundation might be printing books which were not required in the market, and thus heavy stocks were lying. The Department further stated that books had to be sold at 50 per cent discount some times. It was assured that all possible steps were being taken to improve conditions. The Committee dropped the paragraph.

492. *Sundry Debtors Rs.* 5.9 *million* (*Para* 145, *page* 98-*ARCA*).—As per Audit Report, the year wise break-up of Book debits which were Rs. 5.935 million on 30th June, 1983, was not given and also no provision for Bad Debts was made. The Department explained that year-wise break-up had since been prepared and could be verified by Audit. The paragraph was dropped subject to verification by Audit.

493. *Paras not discussed to be treated as settled.*—The Committee did not make any observation on other points|paras of Appropriation|Commercial Accounts and Audit Reports thereon. These would be treated as settled subject to any regularization|recovery action required under the rules and verification by Audit.

M. A. HAQ,
Secretary.

Islamabad, the 23rd November, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 8th January, 1987

Ninth Sitting (PAC)

*527. The Public Accounts Committee assembled at 10.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present:—

P.A.C:

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman*.
(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member*.
(3) Rai Arif Hussain, M.N.A. .. .. *Member*.
(4) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member*.
(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member*.
(6) Malik Said Khan Mahsud, M.N.A. .. .. .. *Member*.

National Assembly Secretariat:

(1) Mr. M.A. Haq, Secretary.
(2) Ch. Abdul Qadir, Joint Secretary.
(3) Mr. Muhammad Aslam, Deputy Secretary.
(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit:

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
(2) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
(3) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).
(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
(5) Mr. Iftikhar Ali Khan Raja, Director General, (A&A Works).
(6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.
(7) Mr. M.S. Amjad, Director General (PEC).

Ministry of Finance:

(1) Mr. Manzur Hussain, Joint Secretary (Budget).
(2) Mr. Tanwir Ali Agha, Deputy Secretary.
(3) Mr. S.M. Hasan, FA (Education).

*Paragraphs upto 526 and 528 to 568 pertain to other Ministries/Divisions.

MINISTRY OF EDUCATION

569. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Education. The following departmental representatives were present :—

(1) Mr. Saeed Ahmed Qureshi, Secretary.

(2) Mr. M.H. Abbasi, Joint Educational Adviser.

(3) Mr. Iqbal Ahmed, Joint Secretary.

(4) Mr. Munir Ahmed, Joint Educational Adviser.

(5) Mr. Habib-ur-Rehman, Senior Research Officer.

(6) Syed Muhammad Ali Rizvi, Section Officer (F&A).

(7) Brig. Muhammad Ali, Director General, (F.G.B.I.) (C&G).

(8) Brig. (Retd.) Bashir Ahmed Malik, Director General (F.G.E.I.) Islamabad.

(9) Major Safdar Butt, Director (F.G.E.I.) (C&G).

(10) Mr. Muhammad Mohsin, Managing Director (National Book Foundation).

(11) Mr. Mushtaq Ali, Director Planning, International Islamic University.

570. This Ministry controlled the following grants :—

S.No.	Name of Grant	Grant No.
1	2	3
	1983-84	
1.	Ministry of Education	34
2.	Education	35
3.	Federal Government Educational Institutions in the Capital and Federal Areas	36
4.	Federal Government Educational Institutions in the Cantonment and Garrisons .. .. .. — .. —	37
5.	Development expenditure of Ministry of Education	143

1	2	3
	1984-85	
1.	Ministry of Education	34
2.	Education	35
3.	Federal Government Educational Institutions in the Capital and Federal Areas	36
4.	Federal Government Educational Institutions in the Cantonment and Garrisons	37
5.	Development Expenditure of Ministry of Education	146

APPROPRIATION ACCOUNTS (1983-84)

571. *Grant No.* 34—*Ministry of Education* (*Page* 272-*AA*).—The grant closed with a saving of Rs. 2,655,946. The Department explained that major part of saving of Rs. 2,517,700 was due to the fact that payment of this amount could not be made by the Chief Accounts Officer to UNESCO during the year. The Department explained that it was a clerical mistake. The Committee directed that this should be guarded against in future.

572. *Grant No.* 35—*Education* (*Page* 277-*AA*).—This grant closed with a saving of Rs. 2,910,896, which was within permissible limits and the Committee did not make any observation.

573. *Grant No.* 36—*Federal Government Educational Institutions in the Capital and Federal Areas* (*Page* 279-*AA*).—This grant closed with a nominal saving of Rs. 598,655. The Committee did not make any observation.

574. *Grant No.* 37—*Federal Government Educational Institutions in Cantonment and Garrisons* (*Page* 284-*AA*).—As per Appropriation Accounts, this grant closed with an excess of Rs. 4,142,812. The Department explained that major portion of this excess was due to booking of expenditure for the year 1982-83 during 1983-84 and due to non-booking of expenditure for the year 1983-84. The Committee directed Audit to verify the position. The excess was, however, recommended for regularisation through Excess Budget Statement.

575. *Grant No.* 143—*Development Expenditure of Ministry of Education* (*Page* 288-*AA*).—This grant closed with a saving of Rs. 181,692,307. The Department explained that a sum of Rs. 80,694,329 was surrendered in time and was accepted. An amount of Rs. 71,074 was not released by the Finance Division due to resource constraint. The Committee was further informed that

the Department was streamlining their systems. Procedures were responsible for such savings. Finance required that monthly release should be applied for. Authority to purchase hardware had been withdrawn. The Committee was requested to look into this system of releases which at the present were economy oriented. The representative of Finance informed the Committee that requests for quarterly releases were always looked after. Audit at this point observed that Rs. 81 million were surrendered by the Department, as such explanation of non-release of 71 million did not hold good. The Committee expected better financial discipline and observed that the Committee would be interested in the Performance Evaluation of the Division in future.

APPROPRIATION ACCOUNTS (1984-85)

576. *Grant No.* 34—*Ministry of Education* (*Page* 268-*AA*).—The grant closed with a saving of Rs. 4,934,349. The Department intimated that an amount of Rs. 38,360,634 was surrendered in time, leaving a balance saving of Rs. 1,359,634, which was 3.42 per cent of the Final Grant and was within the permissible limits. The Chairman PAC observed that saving including the amount of surrender were required to be explained. The Department should have given reasons for such saving in their reply even if it was of a small amount. This should be done in future.

577. *Grant No.* 35—*Education* (*Page* 274-*AA*).—According to Appropriation Account, there was a saving of Rs. 6,573,853 under this grant. The Committee did not make any observation, the saving being 1 per cent of the final grant.

578. *Grant No.* 36—*Federal Government Educational Institutions* (*Page* 280-*AA*).—There was a saving of Rs. 7,114,815 under this grant. The Department reported that the amount of saving was surrendered in time and was accepted by Finance. The Committee observed that if the department was not serious, the funds should not be obtained in future.

579. *Grant No.* 37—*Federal Government Educational Institutions in Cantonments and Garrisons* (*Page* 286-*AA*).—In the case of this grant there was an excess of Rs. 5,603,478. The Department reported to the Committee that excess was due to incorrect booking of expenditure by A.G.P.R. which could not be rectified in time. The Committee accepted the explanation and recommended the excess for regularisation.

580. *Grant No.* 146—*Development Expenditure of Ministry of Education* (*Page* 290-*AA*).—As per Appropriation Account there was a saving of Rs. 99,426,570 under this grant. The Department explained that an amount of Rs. 78,442,000 was surrendered as shown in the printed Appropriation Accounts,

leaving a net saving of Rs. 20,984,570. This saving was in Aided Schemes. Although the funds were received, but the schemes were not approved, as such the expenditure could not be incurred. The Committee directed that the Department should be careful in Budgetary methods.

AUDIT REPORT (1984-85)

581. *Non-utilization of Grants*: *Rs*. 3,309,934 (*Para* 2, *page* 57-*AR*).—Audit pointed out that a Committee of Ministry of Education, released grants for payment of scholarships to foreign students, similarly releases were made for two schemes in 1983-84 and 1984-85. A total sum of Rs. 3,309,934 drawn from Government treasury remained un-disbursed on 30th June, 1985. The funds which were required to be surrendered at the close of Financial year were deposited in two nationalised Banks, in contravention of Government instructions on the subject.

582. The Department held that scholarships were awarded to foreign students studying in Pakistan institutes under cultural agreements. Some time claims of foreign students were not received in time and the amounts drawn remained undisbursed. These could not be deposited back into treasury as no such provision was made during next year and the money was payable immediately on receipt of claim. Audit at this point observed that Ministry released this money even before completion of feasibility study just to avoid lapse of Funds. If the Ministry considered that unspent balance at the close of year was required to be kept for disbursement to foreign students, it should approach Finance Division for opening of a non-lapsable Personal Ledger Account. This irregularity required condonation from Finance Division. The Department promised that suggestion made by Audit would be taken care of. The Committee observed that Accounts were irregularly maintained by the Department in Commercial Banks, and action may be taken against those responsible for it.

583. *Irregular purchase of Stores Rs*. 561,784 (*Para* 3, *page* 57-*AR*).—According to Audit Report, the Islamic University purchased Stores and Stock articles without calling for tenders in 1983-84. Thus the University was deprived of competitive rates. The Department while explaining the irregularity reported that the stores were purchased under the pressure of students, there was no malafide intention behind it. The Committee was not satisfied with the explanation and directed that the matter may be enquired into.

584. *Blockage of Funds and un-necessary purchases Rs*. 444,105 (*Para* 4, *page* 57-*AR*).—According to Audit Report, stores and equipment costing Rs. 444,105 was purchased in three high schools during the period 1981-82 to 1983-84. The equipments were never used and were lying packed. The Department reported that the material purchased was for upgrading of science section of a

school to be upgraded. It was not correct to say that it was packed, it was partially used. The Committee observed that it was not reasonable to make purchases 3 years in advance. The paragraph was however, settled by the Committee.

585. *Overpayment of special pay Rs.* 5,037 (*Para* 7, *page* 59-*AR*).—Audit pointed out that an officer was paid special pay of Rs. 5,037 in excess of his entitlement during 1979-80. Although the irregularity was pointed out in 1982, the recovery had not been effected. The Department intimated the Committee that the amount had since been recovered. The paragraph was settled by the Committee subject to verification by Audit.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES (1986)

586. *National Book Foundation* (*Pages* 4—42|*Perf. Eval. Report—Vol. III*) :

A. *Financial data and analysis.*—Equity on June 30, 1984 was Rs. 20.41 million, over 73 per cent of which was eroded by cumulative loss as on the same date. During 1983-84 the quick ratio fell to 0.64 : 1 which is below the generally desirable ratio of 1 : 1. Stocks of books included many outdated editions. There was also sharp rise in costs of sales of reprints and NBF books which was from 54 per cent to 77 per cent and 50 per cent to 75 per cent respectively from 1982-83 to 1983-84. It was suggested that the stock of superseded editions needed expeditious disposal. It be ensured that books in demand are printed in time. Cost of sales needed strict control.

B. *Production.*—Production targets had not been laid down. Production of titles declined steadily from 156 to 91 over the years 1980 to 1984. Reprints included outdated editions with little demand. Conversely, certain reprints remained out of stock, leading to sales of pirated editions by other printers. There were frequent delays on the part of printers in execution of jobs. Some of the reasons of delay also originated at Head Office (lack of proper procurement planning etc.). Audit suggested that superseded reprints needed expeditious disposal. Proper planning was required for a timely reproduction of books. Targets needed to be introduced to compare achievements. Actions pending at Head Office needed to be expedited for timely publications. Action against defaulting printers, needed initiation.

C. *Copyrights.*—Cases of piracy of books in respect of which NBF had obtained publishing rights for Pakistan, were reported by NBF branch Offices to the Head Office alongwith pirated specimens. NBF had in fact got rights registered (wrongly) in favour of foreign publishers instead of in its own name. Infringement of any rights could not as such be claimed by NBF officers could, however, take legal action against pirates if provincial governments included NBF officers amongst those notified (under section 9 of the West Pakistan Publication of Books Ordinance, 1969) to file complaints before competent court. It was suggested that exclusive publishing rights were required to be registered in NBF's own name. Provincial governments concerned might be approached to include NBF officers amongst those notified u|s 9 of the 1969 Ordinance.

D. *Sales and Marketing.*—Sales targets were not regularly prescribed. Those prescribed for 1983-84, at Rs. 10 million were achieved upto 88 per cent only. Six out of 9 sales centres failed to achieve the prescribed sales targets during 1983-84. Expenses on seven centres ranges from 19 per cent to 59 per cent of sales during 1983-84 against the limit of 10 per cent recommended by Federal Inspection Commission. It was suggested that sales targets may be prescribed as a regular feature, for comparison of results. Centres economically unviable needed closure.

E. *Materials and stocks.*—Assessment of future material requirement and procurement planning needed improvement. Book printing was occasionally delayed for want of paper.

F. *Future prospects.*—Production and sales of new books were likely to dwindle unless effective steps were taken to increase demands for books by tapping all possible sources. Trend of increase in selling and Admn expenses was likely to continue because of annual increments and indexation of salaries. Some checks could, however, be exercised by closing unavoidable sales centres. NBF was not likely to break even in near future if decrease in sales and increase in production costs (due to lower production) and expenses were not reversed through special serious efforts.

587. The Department reported to the Committee that attempts of Audit to evaluate the organisation were appreciable. It had given new dimensions to the Management. The fact that it was not a profit oriented organisation was perhaps not kept in view, while carrying out Performance evaluation. The organisation had succeeded in reducing cost of books. The profit being earned was nominal. The suggestion of Audit in many cases had been accepted. The staff had already been reduced. The closing of regional offices was being examined. Paper stocks were not being included in " quick Ratio ". Paper stocks were as good as

currency. The Brill Press was also being taken care of The delay in production of Books had also been reduced. The production which was 3.83 million in 1983-84 had increased to 7.69 million in 1985-86.

588. The Committee observed that it was a good attempt by Audit and was well taken by the Department. Similar exercises should be carried out in future for the betterment of the organisation.

K. M. CHIMA,
Secretary.

Islamabad, the 18*th July*, 1987.

Annexure 'H'

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 1st September, 1986

Fourteenth Sitting (PAC)

*938. The Public Accounts Committee assembled at 02.30 p.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(4) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(5) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(6) Malik Said Khan Mahsud, M.N.A. .. .. .. *Member.*

(7) Shahzada Jam Muhammad Yusuf, M.N.A. .. . *Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord)

(4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sidiq, Accountant General Pakistan Revenues.

(6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

(7) Mr. A. R. Farooqi, Director of Auditor (IS&F).

Ministry of Finance :

(1) Mr. Masood Ahmed, Deputy Secretary.

(2) Mr. Shamsul Haq, FA (Food and Agriculture).

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*Paragraphs upto 937 and 939 to 997 pertain to other Ministries/Divisions.

Minutes of Agriculture Research Division dated 9th January, 1985 for 1981-82 are printed in the PAC report of Ministry of Food and Agriculture for 1981-82 and 1982-83.

AGRICULTURE RESEARCH DIVISION

998. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Agriculture Research Division. The following departmental representatives were present :—

(1) Dr. Amir Muhammad, Secretary.

(2) Syed Sohail Ahmed, Member (Finance) PARC.

(3) Mr. Fazal Ahmed, Director (Accounts) PARC.

(4) Mr. M. Aslam Kiani, Deputy Secretary.

(5) Mr. Mahmudul Hasan, Section Officer (B&A).

999. This Division controlled the following grants :—

Sl.No.	Name of Grant	Grant No.
1.	Other Agricultural Services (partly)	54
2.	Development expenditure of Food and Agriculture Division (partly)	148

APPROPRIATION ACCOUNTS

1000. *Grant No. 54—Other Agricultural Services* (*Page* 361-*AA*).—There was a net excess of Rs. 8,190 which was considered by the Committee as nominal.

1001. *Grant No. 148—Development Expenditure of Food and Agriculture Division* (*Page* 353-*AA*).—This Grant closed with a saving of Rs. 37,116,407. The explanation of the Department accepted and the Committee did not make any observation on it.

M. A. HAQ,
Secretary.

Islamabad, the 9th March, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 21st July, 1987

Eighteenth Sitting (PAC)

*1068. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Sadrar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(3) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

(6) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. K. M. Chima, Secretary.

(2) Ch. Abdul Qadir, Additional Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(5) Mr. Ahmed Nawab Qureshi, Director General Commercial Audit.

(6) Mr. Irfan Husain, Director General (A&A Works).

Ministry of Finance and Planning Division ;

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Mr. Muhammad Zafar Mian, Joint Secretary|FA.

(3) Mian Abdul Hakeem, Director (Project Wing) Planning Division.

1069 *Accounts Examined.*—Accounts pertaining to the Agriculture Research Division were examined by the Committee during the course of the day.

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*Paragraphs upto 1067 pertain to other Ministries/Divisions.

AGRICULTURE RESEARCH DIVISION

1070. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Agriculture Research Division. The following departmental representatives were present :—

(1) Dr. Amir Muhammad, Secretary (ARD)|Chairman (PARC).

(2) Syed Sohail Ahmed, Member (Finance).

(3) Mr. Fazal Ahmad, Director (Accounts).

(4) Mr. Ansar Hussain, Deputy Director (Accounts).

1071. This Division controlled the following grants :—

S.No.	Name of Grant	Grant No.
	1983-84	
1.	Food and Agriculture Division	51
2.	Other Agriculture Services	54
3.	Development Expenditure of Food and Agriculture Division ..	146
	1984-85	
1.	Agriculture Research Division	53
2.	Development Expenditure of Agriculture Research Division ..	151

1072. The Accounts of Ministry of Food and Agriculture were scheduled for examination first, but Secretary Food and Agriculture did not turn up to attend the meeting as he was stated to be indisposed. The Chairman PAC observed that a written request was essential. The examination of Accounts of Ministry of Food and Agriculture was postponed to 27th July, 1987 and the Committee took up for examination the Accounts of Agriculture Research Division.

APPROPRIATION ACCOUNTS—1983-84

1073. *Grant No. 51—Food and Agriculture Division (Agriculture Research Division)* (*Page* 412-*AA*).—The portion of Grant pertaining to Agriculture Research Division closed with a saving of Rs. 35,309. The Committee did not make any observation.

1074. *Grant No. 54—Other Agriculture Services* (*Page* 432-*AA*).—There was no variation in the grant of Agriculture Research Division.

1075. *Grant No. 146—Development Expenditure of Food and Agriculture Division* (*Page* 466-*AA*).—In the case of Grant representing Agriculture Research Division, there was a saving of Rs. 101,211,666, which was 47 per cent of the Final Grant of Rs. 215,413,000. The Department explained that saving was due to the fact that 99 per cent of this grant actually came from Foreign Agencies. The Doner Agencies directly spent the money and sent the Accounts. In some of the cases the money could not be spent as the schemes were not approved. Yet another reason was that funds were frozen by Finance during May and June, 1984. The PAC further enquired about the results of research in Animal Husbandry, and oil Seeds. The Chairman, PARC explained the position and also discribed the limitations of the progress. The Committee accepted the explanation.

APPROPRIATION ACCOUNTS—1984-85

1076. *Grant No. 53—Agriculture Research Division* (*Page* 418-*AA*).—The Grant closed with a saving of Rs. 62,140. which was nominal and the Committee did not make any observation.

1077. *Grant No. 151—Development Expenditure of Agriculture Research Division* (*Page* 478-*AA*).—There was a saving of Rs. 14,681,304 under this Grant, which was less than 5 per cent. The Committee did not make any observation over the saving. The PAC, however, wanted to know the expenditure so far incurred by Agriculture Research Division in the field of cattle breeding and the results achieved. A paper on the difficulties being faced in the research field may be submitted to PAC within one month.

K. M. CHIMA,
Secretary.

Islamabad, the 21*st July*, 1987.

Annexure 'I'

FEDERAL COUNCIL SECRETARIAT

Wednesday, the 9th January, 1985

Fourteenth Sitting (PAC)

*2296. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1) Mr. Masarrat Hussain Zuberi, Former Secretary to the Government of Pakistan	*Member/ Acting Chairman.*
(2) Adhunzada Bahrawar Saeed, Member, Federal Council ..	*Member.*
(3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council	*Member.*
(4) Mr. Abdul Qadir, Former Chairman, Railway Board ..	*Member.*
(5) Mr. Yusuf Bhai Mian, Chartered Accountant	*Member.*

Federal Council Secretariat :

(1) Mr. M. A. Haq, Secretary.
(2) Ch. Abdul Qadir, Joint Secretary.
(3) Mr. Muhammad Aslam, Deputy Secretary.
(4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.
(6) Mrs. S. N. Sheikh, Director General, Commercial Audit.
(7) Mr. Iftikhar Ali Khan, Raja, Director General Audit and Accounts Works, Lahore.
(8) Mr. S. Jamilur Rehman, Director of Audit, Industries, Supply and Food, Karachi.
(9) Ch. Muhammad Ilyas, Director Revenue Receipt Audit, Lahore.

Ministry of Finance :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).
(2) Mr. Jamil Erikzada, DFA (Kashmir Affairs and Northern Affairs).

2297. *Accounts Examined.*—Accounts pertaining to the Kashmir Affairs and Northern Affairs Division were examined by the Committee during the course of the day.

*Paragraphs upto 2295 pertain to other Ministries/Divisions.

KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION

2298. The Committee took up for examination the Appropriation Accounts etc., pertaining to the Kashmir Affairs and Northern Affairs Division. The following departmental representatives were present :—

(1) Mr. M. Z. A. Temuri, Additional Secretary Incharge.

(2) Col. Muhammad Ali, Director Education, Northern Areas.

(3) Lt. Col. M. Humayun Khan, Staff Officer NA (PWD).

(4) Major Muhammad Anwar, Deputy Director, Health Services (Azad Kashmir|Northern Area).

(5) Ch. Zafarullah, Director Civil Supplies and Transport for N.A.

(6) Mr. Shaukat Mufti, AAO.

(7) Mr. M. Ashraf Bhatti AAO, (DCS&T).

2299. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Kashmir Affairs and Northern Affairs Division	122
2.	Northern Areas	123
3.	Federal Government Educational Institutions in Northern Areas .. .. — ..	124
4.	Other Expenditure of Kashmir Affairs and Northern Affairs Division	125
5.	Capital Outlay on Purchases by Kashmir Affairs and Northern Affairs Division	132
6.	Development Expenditure of Kashmir Affairs and Northern Affairs Divisions	167

2301. *Reconciliation of Accounts with Audit.*—The Committees noted that there were two items in the year 1983-84 which had not been reconciled, and that the reconciliations for the five months to 30th October, 1984 had not yet been completed. The Committee, therefore, directed the departmental representative to complete them at the earliest possible date and to see that the monthly accounts thereafter are reconciled promptly.

APPROPRIATION ACCOUNTS

2300. *Grant No.* 122—*Kashmir Affairs and Northern Affairs Division* (*Pages* 1156—1158-*AA*).—Appropriation Accounts show a net excess of Rs. 256,767 under this Grant, including an excess of Rs. 191,054 under the function head

" 014-Kashmir Affairs Secretariat—011-Officers ". It was explained by the Ministry that the excess was due to adjustment relating to the year 1977-78 (Rs. 221,180) off-set by savings of Rs. 30,126 on account of vacant posts of Research Officers, Planning Officers etc. The position was confirmed by Audit.

2301. As regards the excess of Rs. 95,353 under object " 500-Commodities and Services ", the Ministry explained that there was a saving of Rs. 41,471 under this due to less expenditure than anticipated, which was eliminated by a debit of Rs. 136,824 made by Audit which related to the year 1977-78. Audit confirmed the belated adjustment of Rs. 136,824 relating to 1977-78 but expressed the view that to say " lesser expenditure than anticipated " was no explanation of the irregularity.

2302. The Committee did not make any observation regarding this grant.

2303. *Grant No. 123—Other Expenditure of Kashmir Affairs and Northern Affairs Division (Pages 1160—1167-AA)*.—An excess of Rs. 5,513,785 was depicted under function " 611-Wheat " and Rs. 184,862 under function " 613-Sugar ". It was stated by the Division that the excess was due to smaller sales of wheat and sugar in Northern Areas than expected. Audit commented that the explanation for excess over budgeted provision (Rs. 5,513,785 and Rs. 184,862) under functions " 611 " and " 613 " respectively were not convincing. It was not clear as to how smaller sales resulted in larger subsidies on wheat and sugar.

2304. After discussion the Committee directed that :—

(i) The question raised by Audit should be resolved in discussions with the Division and the Committee informed of the results.

(ii) To facilitate the examination of their briefs dealing with Appropriation Accounts, Ministries and Divisions should give, on each page, the grant number.

2305. *Grant No. 132—Capital Outlay on Purchases by Kashmir Affairs and Division (Pages 1172—1174-AA)*.—The Division explained that the saving of Rs. 910,684 was due to non-receipt of contractors bills for transportation charges. Audit, pointed out that it was not clear as to whether such bills were received subsequently and paid.

RECOVERIES ADJUSTED IN THE FINANCE ACCOUNTS IN REDUCTION OF EXPENDITURE

2306. Audit had shown that sale proceeds under the above mentioned head closed with short recovery of Rs. 4,613,961, whereas subsidy on Wheat transferred to Revenue Account reflected larger recovery of Rs. 4,665,812.

2307. The Division stated that the less recovery of Rs. 4,613,961 was due to smaller sale of wheat and sugar than anticipated during the year. As for more recovery of Rs. 4,665,812 the Division stated that the figures of Estimated recovery shown by Audit should correspond with those shown under Grant No. 125—Subsidies *viz.* Rs. 23,874,100 which would give the variation as more recoveries of Rs. 5,577,812 which was due to less sales of wheat, sugar/sale than anticipated. Thereupon, Audit commented that the Departmental contention that estimated recoveries should match Expenditure under Grant 123 was not correct because modified recoveries were never intimated to Audit. This was a procedural requirement. As regards recoveries in excess of estimates, the departmental explanation was not clear as smaller sales would result in shorter recoveries.

2308. The Committee observed that Audit should check the position and come back to PAC.

2309. *Grant No. 124—Federal Government Educational Institutions in Northern Areas (Pages 1194—96-AA)*.—The Appropriation Accounts showed a net excess of Rs. 848,271 under this Grant. It was explained by the Division that a case for supplementary grant of Rs. 1,744,835 was taken up with the higher authorities for meeting additional expenditure on fringe benefits to the staff from 1st July, 1981, *viz.* one additional increment, 5 per cent house rent 10 per cent compensatory allowance, conveyance and washing allowance *vide* Director Education letter No. DE. 6 (5)|81, dated 17th February, 1982 with detailed justification. The Finance Division sanctioned only Rs. 1,100,000 which was not sufficient to meet the excess expenditure. The Finance Division informed that the sanction was given after due consideration and no reconsideration was possible.

2310. A member of the Committee enquired as to why was there an increase in regular allowances, by as much as 30 per cent. The departmental representative replied that it was regretted that the excess was due to miscalculation thereupon, the Committee directed the departmental representative to be more careful in future.

2311. The Division explained that the excess of Rs. 646,336 under object "020—Regular Allowances", was due to economy cut and insufficient sanction of supplementary grant and payment of fringe benefits to Government Servants.

2312. Audit stated that amount of Rs. 1,100,000 was obtained as supplementary grant and Rs. 228,980 were reappropriated to this head and even then there was an excess (Rs. 646,336). This showed poor estimating on the part of department.

2313. The Committee did not make any further observation on this grant.

"014-Kashmir Affairs Secretariat—011-Officers". It was explained by the Ministry that the excess was due to adjustment relating to the year 1977-78 (Rs. 221,180) off-set by savings of Rs. 30,126 on account of vacant posts of Research Officers, Planning Officers etc. The position was confirmed by Audit.

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2302. The Committee did not make any observation regarding this grant.

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(i) The question raised by Audit should be resolved in discussions with the Division and the Committee informed of the results.

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2308. The Committee observed that Audit should check the position and come back to PAC.

2309. *Grant No. 124—Federal Government Educational Institutions in Northern Areas (Pages 1194—96-AA).*—The Appropriation Accounts showed a net excess of Rs. 848,271 under this Grant. It was explained by the Division that a case for supplementary grant of Rs. 1,744,835 was taken up with the higher authorities for meeting additional expenditure on fringe benefits to the staff from 1st July, 1981, *viz.* one additional increment, 5 per cent house rent 10 per cent compensatory allowance, conveyance and washing allowance *vide* Director Education letter No. DE. 6 (5)|81, dated 17th February, 1982 with detailed justification. The Finance Division sanctioned only Rs. 1,100,000 which was not sufficient to meet the excess expenditure. The Finance Division informed that the sanction was given after due consideration and no reconsideration was possible.

2310. A member of the Committee enquired as to why was there an increase in regular allowances, by as much as 30 per cent. The departmental representative replied that it was regretted that the excess was due to miscalculation thereupon, the Committee directed the departmental representative to be more careful in future.

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2312. Audit stated that amount of Rs. 1,100,000 was obtained as supplementary grant and Rs. 228,980 were reappropriated to this head and even then there was an excess (Rs. 646,336). This showed poor estimating on the part of department.

2313. The Committee did not make any further observation on this grant.

2314. *Grant No. 123—Northern Areas (Pages 1176—1192-AA)*.—No observation was made by the Committee.

2315. *Grant No. 167—Development Expenditure of Kashmir Affairs and Northern Affairs Division (Pages 1168—1170-AA)*.—The Appropriation Accounts show a saving of Rs. 40,704,744 under object "500-Commodities and Services". The Division explained the position as follows :—

	Final grant	Expenditure	Variation	Reasons
Development Schemes ..	13,851,043	15,728,737	+ 1,877737	(A)
Transferred to NAWO ..	114,247,000	71,664,519	—42,582,481	(B)
	128,098,043	87,393,299	—40,704,744	

2316. As for 'A' above the excess expenditure was due to matured liabilities on development schemes. The Finance Division (Budget Wing) released only Rs. 2.8605 million as against Rs. 3.6304 million requested for 4th quarter. Audit commented that portion relating to NAWO had been explained separately. Under Development Schemes (Northern Areas) the excess of Rs. 1,877,737 could have been saved by less expenditure.

2317. After discussion, the Committee decided that explanation about excess|savings should be obtained from the Ministry of Defence and a full Report submitted to the Committee. The Report should also deal with the reasons for the saving of Rs. 40 million.

AUDIT REPORT

2318. *Transit Shortages of Imported Commodities—Loss of Rs. 2,484,476 (Para 3, page 274-AR)*.—Audit had reported that in the consignments of imported wheat and sugar meant for Azad Kashmir, the following transit shortages were declared between Karachi and Rawalpindi during 1973-74 :—

	Rs.
Wheat 140,587-37-2 Mds : Value	2,236,032
Sugar 2,097-30-10 Mds : Value	248,444
	2,484,576

2319. The losses were brought to the notice of the Directorate and the Division in June, 1976 and through a Draft Para in June, 1981. Even after lapse of six years, first reply to the audit observation was awaited. The loss of Rs. 2,484,476 was yet to be investigated and made good.

2320. The Division did not agree with the figures shown by Audit and explained as under :—

(a) *Wheat* :

(i) As per original Audit and Inspection Report the quantity of wheat worked out to 95,587-37-2 mds. as against 104,587-37-2 mds. (wrongly printed as 140,587-37-2 by Audit).

(ii) There was a miscalculation of 900 mds. which reduced the exact quantity of shortage to 94,687-37-2 mds.

(b) *Sugar* :

(i) A total quantity of 2300 metric tons of sugar was despatched from Karachi and was converted by Audit into maunds as 62,611-4-7 mds. which actually worked out 61,622-32-14 mds. @ of 37.324 kg. per maund. The quantity received was 61,548-28-11 mds. hence the shortage worked out to 74-4-3 mds. as against 1062-15-12 mds. shown by Audit. Against actual despatch of 2300 M/Tons (61,622-32-14 mds.) and receipt of 61,392-26-6 mds., the shortage worked out to 230-26-6 mds., only.

(ii) In addition, shortages occurring during 1971-72 and 1972-73 were 894-21-10 mds. which totalled to 1125-08-0 mds. as against 2097-30-10 shown by Audit. The cost worked out by Audit thus required re-working.

2321. The department further stated that during 1972-73 and 1973-74 stock of imported wheat and sugar were despatched from Karachi through Railway Wagons. The shortages originated at Karachi as incorrect procedure was followed. The shortages had occurred mainly due to non-standerlization of bags at Karachi Port, Non-Weighment of Wagons before despatch, loose stitching and wastages during handling of stocks. The Directorate General, Food Karachi was responsible for these shortages. The matter had already been taken up with the Ministry of Food, who had referred the case to Director of Food, Karachi. No progress had been reported so far.

2322. Audit pointed out in their comments in respect of transit shortages as follows :—

(a) ***Wheat*** :

(1) For the first time, a reply to the losses of over ten years, had been given.

(2) Audit figures which had been gathered from the Division's own records had been disputed and this would be resolved.

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(Figures disputed would be sorted out)

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(2) Director General, Food, Karachi did not come into picture as despatches from Karachi to Rawalpindi were not their function, Ministry had a Liaison Office at Karachi for this purpose.

(3) Defects in procedure had not been identified.

2323. After further discussion the Committee took the following decisions :—

(i) The disputed figures of shortages should be sorted out and reconciled with Audit.

(ii) Procedure may be reviewed for eliminating shortages and ensuring better control. A Joint Committee consisting of the representatives of the Ministries of Kashmir Affairs, Food and Railways and the Audit department should carry out this exercise and finalize it by the 30th April, 1985. The Kashmir Affairs Division would convene the meeting.

2324. *Losses in Civil Supplies Depots, Northern Areas Rs.* 1,080,319 (*Para* 4, *pages* 274-275-*AR*).—Audit had reported that losses of Rs. 1,080,319 were discovered at Aliabad|Gulmit, Khaplu and Minimerg Depots during 1972 to 1981 and asked for retrieval and regularisation. Details consisting of 17 items covering misappropriations, non-deposit of sale proceeds, undue favour to contractor, short recoveries, shortages etc., are given in the Audit Report.

2325. In reply, the Division gave separate explanations for each item and reported the action taken or in hand.

2326. After examining the audit paragraph, the explanations given by the Division and Audit comments thereon, the Committee took the following decisions :—

Para 4 (*i*) *and* (*ii*).—Audit to verify the Departmental Explanation and Report back, if necessary.

Para 4 (*iii*).—The enquiry report should be completed and paragraph was deferred.

Para 4 (*iv*), (*v*).—Recovery of the amount should be completed and Audit should verify it.

Para 4 (*vi*).—Subject to verification of recovery by Audit and Audit watching progress of and receiving enquiry report and finding it to its satisfaction, the paragraph will be treated as settled.

Para 4 (*vii*) *and* (*viii*).—The Committee observed that the final replies from the Division were awaited. The paragraphs were deferred.

Para 4 (*ix*).—Subject to verification by Audit of the write off and Audit obtaining satisfactory explanation for the balance, the paragraph was dropped.

Para 4 (*x*).—The explanation of the Division was accepted by Audit and the paragraph was dropped.

Para 4 (*xi*) *and* (*xii*).—Subject to verification by Audit the paragraphs were treated as settled.

Para 4 (*xiii*).—Results of investigation were awaited which should be expedited. The paragraph was treated as deferred.

Para 4 (*xiv*) (*a*) *and* (*b*).—*The* Committee observed that the reply was not valid as the enhancement in rates was announced on Radio and was immediately applicable. The average sales during the intervening days was much higher than the normal average. The short deposit of Rs. 33,501 (Minimerg Depot) had to be made good. Decision of the Committee, taken on a similar point in a previous meeting, should apply in this case also. The paragraph was deferred to report recovery.

Para 4 (*xv*).—Subject to verification by Audit the paragraph was treated as settled.

Para 4 (*xvi*).—The Committee observed that the recovery of Rs. 128,049 may be expedited and Audit should verify it. The paragraph was deferred.

Para 4 (*xvii*).—Subject to verification by Audit that there was no shortage the paragraph was dropped.

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2327. *Misappropriation of Stamps for Rs. 323,210 in the Treasury Office, Gilgit during* 1977—80 (*Para* 5, *pages* 275-276-*AR*).—Audit reported the following irregularities :—

(i) Postal stationery, special adhesive stamps, Identity Card stamps, postage stamps and service stamps worth Rs. 41,808 were found short on physical verification in September, 1981. The shortage needed to be investigated, and responsibility fixed for the loss.

(ii) Stock of postage stamps valuing Rs. 278,431 and service stamps valuing Rs. 36,231 were returned to the Controller of stamps, Karachi and acknowledged by him in July, 1980. Against the above actual returns, postage stamps valuing Rs. 348,421 and service stamps valuing Rs. 57,359 were charged off from the stock register. This resulted in a loss of stamps worth Rs. 91,118.

(iii) Non-judicial stamps valuing Rs. 28,675 and judicial stamps worth Rs. 10,645 were not shown in stock while carrying stamped that balances, without accounting for their disappearance or sale or issue etc. Similarly postage stamps valuing Rs. 39,604 were omitted from the stock while totalling|carrying forward.

(iv) Revenue stamps valuing Rs. 55,000 and postage stamps worth Rs. 40,425 were not taken on stock after their receipt in the year 1977 to 1979 from the Controller of Stamps, Karachi.

(v) Non-judicial stamps worth Rs. 15,935 were shown as sold on various dates in the stock register but no challan in support of crediting their proceeds to Government account was produced. This rendered the transactions doubtful and misappropriation was apprehended.

(vi) Internal checks and annual inspection of the Treasury required *vide* para 13 of General Financial Rules and Rule 70 of Federal Treasury Rules were not carried out from 1977 to 1980.

The above irregularities were brought by Audit to the notice of the department and the Division in March, 1982 but even first annotated, replies were awaited till February, 1983. Need for immediate investigation and retrieval measures was indicated.

2328. In reply, the Ministry explained *ad seriatim* :—

(i) On re-checking of the records, it had been found that certain receipts, issue vouchers and Challans were not accounted for. The requisite register had been reconstructed and authenticated by the responsible officer. The new register could be verified by Audit.

(ii) The reconstructed ledgers indicated correct balances. The charged off quantities *viz*. Rs. 438,631 as on 30th September, 1980 had been duly acknowledged by the Controller of Stamps, Karachi.

(iii) All the registers had been reconstructed and closing balances correctly worked out. Physical verification had also been carried out.

(iv) Revenue stamps of Rs. 55,000 as receipts had been taken in the stock register, which could be verified by Audit. As regards, postage stamps worth Rs. 40,425, the entry was for issue and not receipt as stated by Audit. The position could be re-checked.

(v) Out of Rs. 15,933, Rs. 1,150,50 had been credited in the Treasury while for the balance amount of Rs. 14,784.50 the official concerned was directed to deposit the amount. The official had gone to the civil court and obtained stay order against the recovery. The case being sub-judice, recovery was outstanding.

(vi) No reply given by the Ministry.

2329. The Committee having considered the explanations of the Division and the Audit comments thereon, issued the following directives :—

Para 5 (*i*), (*ii*), (*iii*).—The reconstructed registers would be checked by Audit, who would then come back to PAC, if deemed necessary. Otherwise the paragraph will be deemed as settled.

Para 5 (*iv*).—Subject to verification by Audit, the paragraph was dropped.

Para 5 (*v*).—The Department should pursus the matter till recovery of Rs. 14,784.50 was completed. Audit should, then verify the recovery.

Para 5 (*iv*).—No reply had been given to the important observation regarding "Internal Check" and Annual Inspection from 1977 to 1980. The department should furnish the reply to Audit who would then come to the PAC. The paragraph was, therefore, deferred.

2330. *Outstanding Audit and Inspection Reports* [*Para* 1 (*item* 9), *pages* 280-281-*AR*].—Since the explanation of the Division had been accepted by Audit, the paragraph was dropped.

COMMERCIAL ACCOUNTS

2331. *Northern Areas Transport Corporation Limited* [*Para* 3 (*xxix*), *page* 7-*ARCA*].—Audit had reported that the accounts for 1980-81 and 1981-82 were not compiled. The Ministry intimated that the compiled accounts for the year

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1980-81 and 1981-82 in respect of the Northern Areas Transport Corporation Limited, Gilgit duly checked by the Chartered Accountants had been sent to the Assistant Audit Officer, Commercial Audit. The Audit confirmed the above position in their comments and informed the Committee that accounts upto 1981-82 had since been audited.

2332. *Delay in the Disposal of Audit/Inspection Reports* (*Para* 46, *page* 46-*ARCA*).—The Audit pointed out in their comments on the explanation of the Ministry that the replies to the outstanding Inspection Reports had been received. Two cases of serious irregularities had already been printed in the Audit Report 1982-83 as Draft Paragraphs. Remaining cases were under process.

2333. In view of the position stated above, the Committee decided that the paragraph be dropped.

COMPLIANCE ON THE POINTS RAISED IN THE COMMITTEE'S 1979-80 REPORT

2334. *Reconciliation of Accounts with Audit* (*Para* 1278, *page* 356-*PAC Report* 1979-80).—Audit informed the Committee that reconciliation was completed and upto date. The Committee decided to drop the paragraph.

2335. *Grants No.* 121 *and* 123 (*Pages* 138 *and* 141-*AA*) (*Para* 1280, *page* 356-*PAC Report* 1979-80).—The Committee had previously directed the departmental representative to avoid furnishing vague explanations and provide greater deails to the Committee about excesses and savings during examination of next accounts. In compliance, the Division informed the Committee that in future more details would be furnished while explaining the excesses|savings. The Committee noted the promise to comply it.

2336. *Grant No.* 130 (*Page* 149-*AA*) (*Paras* 1281—1284, *pages* 356-357-*PAC Report* 1979-80).—The Committee after going through the departmental reply and the Audit Comments decided to drop the above paragraphs.

2336-A. *Grant No.* 110 (*Page* 126-*AA*, *Para* 226, *page* 60-*PAC Report* 1975-76) (*Para* 1286, *page* 357-*PAC Report* 1979-80).—The Committee had directed the departmental representative to furnish a copy of the inquiry report from the Martial Law Authorities Zone " E " to Audit without any further delay.

2337. The Division explained that copies of the inquiry report had been furnished to PAC and Audit. The Division further explained that the figure of Rs. 15,129,700 represented proposed final grant for the year 1975-76 and not actual sales. MLA Inquiry Report indicated that receipts of Rs. 11,085,521 were the actual sales during 1975-76. Out of this, Rs. 8,240,688 were adjusted by AGPR during 1975-76 while balance Rs. 2,844,833 were passed on by AGPR, Gilgit to AGPR, Rawalpindi during 1979-80. The short adjustments were caused by laxity on the part of Treasury Officers of Northern Areas.

2338. The Inquiry Report of Martial Law Authorities regarding the short recovery of Rs. 15,487,812 exhibited against the sub-head. Purchases by Gilgit Agency had been studied by the Committee and the Acting Chairman drew attention to the last paragraph of the Report. It had been mentioned therein that it was found by the Inquiry Team that due to laxity on the part of Treasury Officers, Northern Areas, credits could not be adjusted by the Audit in time.

2339. After discussion, the Committee directed that action should be taken against the Treasury Officer for laxity. Audit should also furnish an explanation to the Committee about this matter. The paragraph was, therefore, deferred.

2340. *Financial Indiscipline in Rural Works Programme for Northern Areas* (*Para* 24, *pages* 32-33-*AR*) (*Para* 386—389, *pages* 94—95-*PAC Report*, 1976-77) (*Paras* 1287—1290, *pages* 357-358-*PAC Report* 1979-80).—Previously, Audit had pointed out that the amount of recovery made by the department since the previous Audit, had not been specified. Moreover, no account of the advances totalling Rs. 247,322 to the contractors and Rs. 2,967,000 to the Field Officers had been rendered. The Committee had, therefore, directed that full answers to the points raised in these paragraphs be furnished to it. In compliance, the Division explained that the figure recovered had been conveyed to Audit. The position in respect of Rs. 407,200 loaned to some Government Officials and office bearers of a political party was as given below :—

Amount already recovered		240,800
Amount treated as a Development Scheme ' Education Drive '		105,000
Recovered from A.I.G. Police		1,400
		347,200
Balance recoverable		60,000
	Rs.	407,200

2341. After examining the explanation of the Division and the Audit comments thereon, the Committee directed that fresh explanations should be furnished for Rs. 105,000 and Rs. 60,000. The paragraphs were, therefore, deferred.

2342. *Grant No.* 36 (*Page* 48-*AA*) (*Para* 390, *page* 95-*PAC Report* 1976-77) (*Paras* 1291-1292, *page* 358-*PAC Report* 1979-80).—Audit pointed out in their comments on the reply of the Division that the Audit figures were previously accepted by the Ministry *vide* paragraph 390 of the PAC Report for

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2336-A. *Grant No.* 110 (*Page* 126-*AA*, *Para* 226, *page* 60-*PAC Report* 1975-76) (*Para* 1286, *page* 357-*PAC Report* 1979-80).—The Committee had directed the departmental representative to furnish a copy of the inquiry report from the Martial Law Authorities Zone "E" to Audit without any further delay.

2337. The Division explained that copies of the inquiry report had been furnished to PAC and Audit. The Division further explained that the figure of Rs. 15,129,700 represented proposed final grant for the year 1975-76 and not actual sales. MLA Inquiry Report indicated that receipts of Rs. 11,085,521 were the actual sales during 1975-76. Out of this, Rs. 8,240,688 were adjusted by AGPR during 1975-76 while balance Rs. 2,844,833 were passed on by AGPR, Gilgit to AGPR, Rawalpindi during 1979-80. The short adjustments were caused by laxity on the part of Treasury Officers of Northern Areas.

2338. The Inquiry Report of Martial Law Authorities regarding the short recovery of Rs. 15,487,812 exhibited against the sub-head. Purchases by Gilgit Agency had been studied by the Committee and the Acting Chairman drew attention to the last paragraph of the Report. It had been mentioned therein that it was found by the Inquiry Team that due to laxity on the part of Treasury Officers, Northern Areas, credits could not be adjusted by the Audit in time.

2339. After discussion, the Committee directed that action should be taken against the Treasury Officer for laxity. Audit should also furnish an explanation to the Committee about this matter. The paragraph was, therefore, deferred.

2340. *Financial Indiscipline in Rural Works Programme for Northern Areas* (*Para* 24, *pages* 32-33-*AR*) (*Para* 386—389, *pages* 94—95-*PAC Report*, 1976-77) (*Paras* 1287—1290, *pages* 357-358-*PAC Report* 1979-80).—Previously, Audit had pointed out that the amount of recovery made by the department since the previous Audit, had not been specified. Moreover, no account of the advances totalling Rs. 247,322 to the contractors and Rs. 2,967,000 to the Field Officers had been rendered. The Committee had, therefore, directed that full answers to the points raised in these paragraphs be furnished to it. In compliance, the Division explained that the figure recovered had been conveyed to Audit. The position in respect of Rs. 407,200 loaned to some Government Officials and office bearers of a political party was as given below :—

Amount already recovered	240,800
Amount treated as a Development Scheme ' Education Drive '	105,000
Recovered from A.I.G. Police	1,400
	347,200
Balance recoverable	60,000
Rs.	407,200

2341. After examining the explanation of the Division and the Audit comments thereon, the Committee directed that fresh explanations should be furnished for Rs. 105,000 and Rs. 60,000. The paragraphs were, therefore, deferred.

2342. *Grant No.* 36 (*Page* 48-*AA*) (*Para* 390, *page* 95-*PAC Report* 1976-77) (*Paras* 1291-1292, *page* 358-*PAC Report* 1979-80).—Audit pointed out in their comments on the reply of the Division that the Audit figures were previously accepted by the Ministry *vide* paragraph 390 of the PAC Report for the year 1976-77. Now they had challenged these figures and in support of their contention submitted copies reconciliation statements received on 20th December, 1984. Efforts were being made to check the position again in this old case and requested that the paragraph might be deferred till Audit completes the arrear.

2343. The Committee, agreed to the Audit request and deferred the paragraphs.

2344. *Reconciliation of the Accounts with Audit* (*Para* 1686, *page* 438-*PAC Report* 1979-80).—The Committee directed that the pending reconciliation for 1982-83 should be expedited and completed within a period of 2 months. The Division stated that efforts were made to get the accounts for the year 1982-83 reconciled with the AGPR; but they could not succeed due to certain difficulties. Audit stated in their comments that the reconciliation had not been completed within two months as directed by PAC. However, a representative of the department had come a week ago and was working in AGPR Office now. The difficulties pointed out in the Department's reply would now be sorted out by the Accounts Office.

2345. In view of the position explained above, the Committee decided that the Audit should pursue the matter and may come back to PAC, if necessary.

2346. *Grant No.* 121—*Northern Area* (*Page* 138-*AA*) (*Paras* 1703—1706, *page* 441-*PAC Report* 1979-80).—After examining the reply of the Division and the Audit Comments thereon, the Committee decided that these paragraphs may be deferred till the next session and that in the meantime Audit should pursue the matter.

2347. 014—*Kashmir Affairs*-300-*Construction Works* (*Paras* 1707-1708, *pages* 441-442-*PAC Report* 1979-80).—The Committee had previously directed that the department should furnish to Audit a list of the works, giving in each case the details of the dates when the works were started, completed or abandoned totally, suspended temporarily or not taken up at all due to disputes with locals and the amounts spent on those works. In compliance the Division explained that this was also a sub-head of Grant No. 121 which had already been discussed in the PAC 1979-80 Report on page 441 paragraphs 1703—1706. However, the Division's sub-allocation against this head was Rs. 1,875,000 and the expenditure was Rs. 1,874,738 thus there was a saving of Rs. 262 only for which no explanation was required. The previous figure of Rs. 320,000 as saving was given by the department incorrectly. The details asked for in paragraph 1708 were therefore not required. Thereupon, Audit again stressed that the requisite details had not been furnished by the department.

2348. The Committee decided that the fact that these was no substantial saving under the sub-head was irrelevant so far as its directive regarding submission of list of works and other details was concerned. The Division should comply with that directive. The paragraph was deferred.

2349. 014—400—*Repair and Maintenance of Durable Goods and Works* (*Paras* 1710—1712, *pages* 442-443-*PAC Report* 1979-80).—The Committee had previously directed that the Finance Division should examine whether, in a case where a grant is controlled jointly by two Divisions, reappropriation of savings, occurring under one Division, to meet the anticipated excesses within the same grant controlled by the other Division was possible, with the concurrence of the Finance Division. In compliance, the Division stated that the funds were placed in the original budget under the Grant controlled by it. Any additional funds required were also routed through that Division and not the Defence Division which was only administratively controlling the expenditure. Audit commented that compliance was awaited from the Finance Division. The Committee directed that the departmental representative should see a reply from the Finance Division is expedited. The paragraph was, therefore, deferred.

2350. *Physical Verification of Stock* (*Para* 5-*Army NAWO, page* 5-*AA-Defence Services*) (*Paras* 1760—1762 *and* 1877, *pages* 452 *and* 472-*PAC Report* 1979-80).—Audit informed the Committee that their comments on the paragraphs would be presented in the next meeting. The Committee therefore decided to defer the paragraphs.

Loss of Rs. 46,618 *to Government* (*Paras* 28-29, *page* 155-*PAC Report* 1968-69 *and* 1969-70-*Paras* 823-824, *page* 149-*PAC Report* 1972-73) (*Paras* 1890—1892, *pages* 473-474-*PAC Report* 1979-80).

Grants No. 77, 78 *and* 140 (*Pages* 95-96 *and* 163-*AA*) (*Para* 488, *Page* 111-*PAC Report* 1976-77) *Grant No.* 14 (*Page* 29-*AA*-1975-76) (*Para* 491, *Page* 111-*PAC Report* 1976-77) (*Paras* 1927—1929, *page* 478-*PAC Report* 1979-80).

Non-recovery of Secured Advance of Rs. 8,112 *from a Contractor* (*Para* 8, *page* 25-*AR, Paras* 493—496, *page* 112-*PAC Report* 1976-77) (*Paras* 1930—1934, *pages* 478-479, *PAC Report* 1979-80).

Undue Financial Aid to a Contractor for Rs. 30,581 (*Para* 1, *page* 21-*AR, para* 152, *page* 66-*PAC Report* 1977-78) (*Paras* 1943-44, *page* 480-*PAC Report* 1979-80).

2351. The above paragraphs were also deferred on the same direction given by the Committee as in the cases of the foregoing paragraph 2350.

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2351. The above paragraphs were also deferred on the same direction given by the Committee as in the cases of the foregoing paragraph 2350.

2352. *Points/Paras not Discussed to be Treated as Settled.*—The Committee did not make any observation on other paragraphs and points in the Appropriation Accounts and Commercial Accounts 1981-82 and the Audit Reports thereon and the compliance on the PAC's Report for 1979-80. These would be deemed as settled subject to such regularization action as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 15th December, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 4th September, 1986

Seventeenth Sitting (PAC)

*1104. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(4) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(5) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(6) Malik Said Khan Mahsud, M.N.A. .. .. .. *Member.*

(7) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. M.A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General, Pakistan Revenues.

(6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

Ministry of Finance :

(1) Mr. Masood Ahmed, Deputy Secretary.

(2) Mr. Muhammad Zafar Mian, FA (Kashmir Affairs and Northern Affairs).

1105. *Accounts Examined.*—Accounts pertaining to the Kashmir Affairs and Northern Affairs Division, were examined by the Committee during the course of the day.

*Paragraphs upto 1103 pertain to other Ministries/Divisions.

2352. *Points/Paras not Discussed to be Treated as Settled.*—The Committee did not make any observation on other paragraphs and points in the Appropriation Accounts and Commercial Accounts 1981-82 and the Audit Reports thereon and the compliance on the PAC's Report for 1979-80. These would be deemed as settled subject to such regularization action as may be necessary under the rules.

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KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION

1106. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Kashmir Affairs and Northern Affairs Division. The following departmental representatives were present :—

(1) Mr. M.Z.A. Temuri, Additional Secretary Incharge.

(2) Mr. Muhammad Ayaz, Joint Secretary.

(3) Mr. Jaffar Raza, Deputy Secretary.

(4) Mr. M. Shaukat Mufti, Assistant Accounts Officer.

(5) Mr. Iftikharuddin, Administrator (NA Gilgit).

(6) Col. Muhammad Ali, Director Education (NA).

(7) Mr. Ghulam Jilani Khan, MD (NATCO).

(8) Lt. Col. Muhammad Farooq, Acting Chief Engineer (PWD) N.A.

(9) Ch. Zafarullah, Director, Civil Supplies and Transport (NA).

(10) Major Roohullah Khan, Deputy Director Health (AK|NA).

(11) Mr. Muhammad Alam, Conservator of Forests (NA).

(12) Raja Bahadur Ali Khan, Director Khunjarab Pass.

1107. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Kashmir Affairs and Northern Affairs Division	121
2.	Northern Areas	122
3.	Federal Government Education Institutions in Northern Areas..	123
4.	Other Expenditure of Kashmir Affairs and Northern Affairs Division	124
5.	Capital Outlay on Purchase by Kashmir Affairs and Northern Affairs Division	130
6.	Development Expenditure of Kashmir Affairs and Northern Affairs Division .. .. —	166

1108. *Reconciliation of Accounts with Audit.*—The reconciliation of figures by the Department in respect of organisation in Gilgit area had not been carried out with Audit. Similarly reconciliation of Demand No. 126 of Director, Health Services was also not carried out after 9|85. The Committee directed that this work should be updated and should not be allowed to fall in arrear in future.

APPROPRIATION ACCOUNTS

1109. *Grant No.* 121—*Kashmir Affairs and Northern Affairs Division* (*Pages* 823-824-*AA*).—The Grant closed with an excess of Rs. 33,371. The Department explained object-wise explanation and intimated that expenditure on account of pay was un-avoidable. The PAC observed that excess was nominal; the Department should have asked for Supplementary Grant and directed that Department should remain within Budget Grant and avoid excess.

1110. *Grant No.* 124—*Other Expenditure of Kashmir Affairs and Northern Affairs Division* (*Pages* 825-826-*AA*).—This Grant closed with a net saving of Rs. 1,836,790. An amount of Rs. 118,025,000 was obtained as Supplementary Grant which partly proved to be un-necessary. After going through the object-wise explanation, the Committee observed that this was a case of over-budgeting and Department should demand budget according to actual requirements.

1111. *Grant No.* 166—*Development Expenditure of Kashmir Affairs and Northern Affairs Division* (*Page* 830-*AA*).—Appropriation Accounts showed a saving of Rs. 21,468,348, which was about 12 per cent of the Final Grant. The Department explained that the Finance did not release funds for the fourth quarter as such the grant was surrendered on 30th June, 1983. The Finance representative reported that resource position did not permit release of Funds. In Northern area, major works were completed during 3rd and 4th quarter. The Department did not agitate this point. Audit at this point intimated that deparment surrendered part of the grant and did not utilize the balance available with them.

1112. The Committee observed that large saving was without any justification and directed that a list of projects being carried out by the Ministry from 1983 onward should be supplied to the PAC within one month.

1113. *Grant No.* 130—*Capital Outlay on Purchases by Kashmir Affairs and Northern Affairs Division* (*Page* 831-*AA*).—This grant closed with a saving of Rs. 85,663 which was considered nominal and the Committee did not make any observation.

1114. *Grant No.* 122—*Northern Area* (*Page* 833-*AA*).—The Grant closed with a net saving of Rs. 21,586,740 which was about 24 per cent of the final grant. Audit pointed out that the main saving of Rs. 19,635,486 was under Object 400—Repairs and Maintenance and Repairable Goods and Works. The Department intimated that actually there was a saving of Rs. 16,277. Audit did not account for a reappropriation order of Rs. 24,270,100 issued by the Ministry. The PAC directed that Audit should verify the position intimated by the Department.

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1115. *Grant No. 123—Federal Government Educational Institutions in Northern Area (Page 843-AA).*—According to the Appropriation Accounts there was a net excess of Rs. 418,822 under this grant. The Department attributed this excess to the pay and allowances of officers and staff. The Committee observed that the Department should have asked for additional funds. The Department should be careful in future.

AUDIT REPORT

1116. *Embezzlement of Rs.* 24,520 [*Para* 1(*a*), *page* 103-AR].—According to the Audit Report, during March, 1981 and amount of Rs. 37 520 was drawn from the treasury for disbursement but was not paid and was embezzled. In January, 1982 it was reported that an amount of Rs. 13,000 had since been paid, leaving balance of Rs. 24,520 which was not recovered.

1117. It was reported to the Committee that only an amount of Rs. 14,092 was embezzled by the officer for which the officer responsible was dismissed. The recovery could not be made as the officer involved had left the country. The Committee observed that the amount should either be recovered or written off. Subject to verification of final action by Audit, the paragraph was dropped.

Northern Areas Transport Corporation

1118. *Loss of Rs.* 356,457 *in un-necessary purchase of Vehicles* (*Para* 22, *page* 31-*ARCA*).—It was reported in the Audit Report that Northern Area Transport Corporation purchased six Mazda Truck Chassis for Rs. 747,000 in May, 1979. Body of one Truck was fabricated for Rs. 30,000. In May, 1980 and February, 1981 five out of six Chassis were disposed off for Rs. 352,700 only. Thus the Corporation sustained a loss of Rs. 356,457. The Department explained that the then Managing Director purchased these vehicles which were not considered fit for Northern Area. FIA did make an inquiry in this case. Since the Trucks had been auctioned no further action was recommended in this case.

1119. The Chairman observed that there must be some explanation for this action of the Department to purchase vehicles which could not be utilised and had to be disposed of. A Member at this point observed that the Performance of NATCO was not satisfactory; the people were not happy and openly asking the Government for change of Administration. The Department must do something to take corrective measures. The Departmental representative replied that NATCO was the only organisation with which the people were happy. The Chairman PAC wanted a complete report on it and suggested that Management should be improved. More services may be provided on no profit and loss basis. The Committee directed that the Performance Audit of the NATCO may be carried out by the Auditor-General of Pakistan, and report submitted to PAC.

Action may be taken against the persons who were involved in un-necessary purchase of vehicles. Reconciliation of accounts should also be completed immediately.

1120. *Expected Loss of Rs. 87,759 due to non-recovery of advance from Ex-Employees (Para 23, page 31-ARCA).*—As per Audit an amount of Rs. 219,873 was outstanding against various employees of NATCO up to 30th June, 1981. An amount of Rs. 132,114 was adjusted up to 30th August, 1983 leaving a balance of Rs. 87,759 which was not recovered. The Department reported to the Committee that a legal action for recovery was in process in respect of an amount of Rs. 54,359. The remaining amount of Rs. 33,390 was considered as bad debt and a case of write off for this amount had been initiated. The PAC directed that the case should be finalised without further delay.

1121. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts| Commercial Accounts and Audit Reports thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 9th March, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 1st April, 1987

Twelfth Sitting (PAC)

*702. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. *Chairman.*

(2) Malik Said Khan Mahsud, Minister of State for Water and Power .. .. *Member.*

(3) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(4) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

National Assembly Secretariat :

(1) Mr Muhammad Aslam, Deputy Secretary.

(2) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

(7) Mr. S. M. Najam-ul-Arfin, Deputy Director, Commercial Audit.

Ministry of Finance :

Mr. S.N. Hyder, DFA (Kashmir Affairs and Northern Affairs).

Planning and Development Division :

Dr. M.A. Aghai, Director General (Projects Wing).

*Paragraphs upto 701 and 703 to 728 pertain to other Ministries/Divisions.

KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION

729. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Kashmir Affairs and Northern Affairs Division. The following departmental representatives were present :—

(1) Mr. M.Z.A. Temuri, Additional Secretary Incharge.

(2) Sahibzada Muhammad Ayaz, Joint Secretary.

(3) Mr. Jaffar Raza, Deputy Secretary.

(4) Mr. M. Shaukat Mufti, Assistant Accounts Officer.

(5) Mr. Abdul Qayyum Khan, Administrator (N. A.).

(6) Brig. Najibullah, Chief Engineer, Pak. P.W.D. (N.A.).

(7) Col. Zahoor Ahmed, Director Education (N.A.).

(8) Mr. Ghulam Gillani Khan Additional Commissioner|MD NATCO (N.A.).

(9) Ch. Zafarullah, Director, Civil Supplies and Transport (N.A.).

(10) Maj. Muhammad Anwar, Deputy Director, Health Services (AK|NA).

730. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1	2	3
	1983-84	
1.	Kashmir Affairs and Northern Affairs Division ..	122
2.	Northern Areas	123
3.	Federal Government Educational Institutions in Northern Areas	124
4.	Other Expenditure of Kashmir Affairs and Northern Affairs Division	125
5.	Capital Outlay on Purchases by Kashmir Affairs and Northern Affairs Division	130
6.	Development Expenditure of Kashmir Affairs and Northern Affairs Division	164

1	2	3
	1984-85	
1.	Kashmir Affairs and Northern Affairs Division	124
2.	Northern Areas	125
3.	Federal Government Education Institutions in Northern Areas..	126
4.	Other Expenditure of Kashmir Affairs and Northern Affairs Division	127
5.	Capital Outlay on Purchases by Kashmir Affairs and Northern Affairs Division	132
6.	Development Expenditure of Kashmir Affairs and Northern Affairs Division	169

APPROPRIATION ACCOUNTS (1983-84)

731. *Grant No. 122—Kashmir Affairs and Northern Affairs Division* (*Page* 957-*AA*).—The grant closed with an excess of Rs. 702,843. The Department explained that excess was due to payment of advance salary on Eid and revision of Pay Scales. The Committee recommended the excess for regularisation through Excess Budget Statement.

732. *Grant No. 123—Northern Areas* (*Page* 958-*AA*).—There was an excess of Rs. 19,640,337 under this grant. The Department intimated that excess was due to revision of Pay Scale and payment of advance salary on Eid. Moreover, a 10 per cent Economy Cut was imposed by Finance. Audit representative at this point observed that excess was two and half times of the amount of grant in the case Pay of Officers, Whereas neither the pay due to revision had increased so much nor the amount of advance salary on Eid comes to that extent as it was only 8.5 per cent. Thus the explanation was not plausible. The Department reported that Finance was approached for a Supplementary Grant of 18 million, but it could not be sanctioned. The Finance reported to the Committee that, it was a late request and as such could not be accommodated. The Committee observed that there should be better financial control. The excess was recommended for regularisation through Excess Budget Statement.

733. *Grant No. 124—Federal Government Educational Institutions in Northern Areas* (*Page* 966-*AA*).—As per Appropriation Accounts there was an excess of Rs. 14,974,693 under this grant, which worked out to 58 per cent of the Final Grant. The representative of the Department stated that due to large increase on account of revision of Pay Scales and allowing of selection grade

to the teachers, the expenditure increased the original budget allocation. The Committee observed that Supplementary Grant should have been obtained to meet this excess. The excess was, however, recommended for regularisation through Excess Budget Statement.

734. *Grant No. 125—Other Expenditure of Kashmir Affairs and Northern Affairs Division (Page 968-AA).*—This grant closed with an excess of Rs. 105,195,246 which was 35 per cent of the final grant. Audit further reported that main excess was under "Transfer Payment". The Department while explaining reasons for excess reported that an expenditure of Rs. 28,640,799 on account of Subsidy on Wheat and Sugar pertaining to 1980-81 was booked during 1983-84. Again there was a difference of Rs. 85,958,000 in figures of Department and those shown in the Appropriation Accounts. The amount of Subsidy was paid to Azad Kashmir Government. The Supplementary Grant could not be obtained.

735. The Committee having not fully satisfied with the explanation, conveyed its displeasure to the Department. The excess was, however, recommended for regularisation through Excess Budget Statement. The Auditor-General invited the attention of the Committee to the situation that while the expendiure incurred by the Azad Kashmir Government was examined by the Public Accounts Committee of the Azad Kashmir Legislative Assembly, no such arrangements existed in respect of the expenditure controlled by the Azad Jammu and Kashmir Council. He also stated that the expenditure incurred by the Departments under the administrative control of the Council was not substantial, yet it was a policy could be examined by the Federal Public Accounts Committee.

736. The Committee desired that Secretary, Kashmir Affairs and Northern Affairs Division should examine this question and submit for the consideration of Azad Jammu and Kashmir Council, a workable plan in this respect. The Committee was also of the view that if the Council and the Federal Government were agreeable, the grants and the expenditure of Azad Jammu and Kashmir Council could be examined by the Federal Public Accounts Committee.

737. *Grant No. 130—Capital Outlay on Purchases by Kashmir Affairs and Northern Affairs Division (Page 972-AA).*—There was a saving of Rs. 12,140,873 under this grant, which was attributed by the Department towards, less purchase of Wheat and Sugar. The amount was surrendered in June, 1984, but was not accepted being late. The Committee did not make any observation.

738. *Grant No. 164—Development Expenditure of Kashmir Affairs and Northern Affairs Division (Page 982-AA).*—The Grant closed with an excess of Rs. 44,090,037 which was 28 per cent of the Final Grant. The Department

reported that the figures of expenditure booked included an amount of Rs. 47,922,906 on account of debits pertaining to previous years. The excess was recommended by the Committee for regularisation through Excess Budget Statement.

APPROPRIATION ACCOUNTS (1984-85)

739. *Grant No.* 124—*Kashmir Affairs and Northern Affairs Division* (*Page* 968-*AA*).—According to Appropriation Account, this grant closed with an excess of Rs. 237,152 which was 6 per cent of the Final Grant, which was attributed by the Department towards payment of advance salary in June on Eid. The Committee recommended the excess for regularisation through Excess Budget Statement.

740. *Grant No.* 125—*Northern Areas* (*Page* 970-*AA*).—The grant closed with a saving of Rs. 23,726,988 which worked out to 18 per cent of the Final Grant. The Department reported that the main reason for saving was that Debits for expenditure adjustable against the Grant were not received|accounted for as anticipated. The Committee accepted the explanation.

741. *Grant No.* 126—*Federal Government Educational Institutions in Northern Areas* (*Page* 978-*AA*).—There was an excess of Rs. 1,933,643 under this grant. The Department reported that 5 per cent Economy Cut was imposed by Finance, where as Department had already incurred the expenditure. The Committee recommended the excess for regularisation through Excess Budget Statement.

742. *Grant No.* 127—*Other Expenditure of Kashmir Affairs and Northern Affairs Division* (*Page* 980-*AA*).—The grant closed with a saving of Rs. 10,743,799 which was within permissible limits. The Committee did not make any observation on it.

743. *Grant No.* 132—*Capital Outlay on Purchases by Kashmir Affairs and Northern Affairs Division* (*Page* 984-*AA*).—This grant closed with a saving of Rs. 36,951,951 which was within the permissible limits. The Committee did not make any observation on it.

744. *Grant No.* 169—*Development Expenditure of Kashmir Affairs and Northern Affairs Division* (*Page* 990-*AA*).—There was a saving of Rs. 43,634,382, which was 21 per cent of the Final Grant. The Department reported that debits for expenditure were not received from Military Accountant General during the financial year as such expenditure could not be booked. The Committee directed that Audit should verify the facts which resulted in substantial saving under this grant.

COMMERCIAL AUDIT REPORT (1983-84)

745. *Loss of Rs.* 351,650 *due to Dacoity in the Sub Office of a Corporation* (*Para* 31, *page* 46-*ARCA*).—Audit pointed out that in a sub-office of Corporation Rs. 351,650 being Sale Proceeds of 6 auctioned vehicles were kept in the inner room on 7th February, 1981 on verbal orders of Incharge Officer. Dacoity took place on same night. Departmental enquiry held that entire operation was planned by a responsible officer who had been declared proclaimed offender. Corporation has filed an appeal in High Court against decision of Session Court who acquitted the accused. One of the reasons put forth was that no rules|procedure existed about collection of Sale Proceeds in the shape of cash or otherwise. The Department informed the Committee that the Government had gone in appeal against the decision of Session Court. The matter was subjudice. The Committee deferred consideration of this paragraph.

746. *Loss of Rs.* 141,842 *due to Shortage of Store Items* (*Para* 32, *page* 46-*ARCA*).—Audit reported that the Department while carrying out Physical Verification detected a shortage of store items worth Rs. 166,216. Subsequently some spare parts were traced out and after a deduction of duplicate accounting the net amount of shortage worked out to Rs. 141,842, which was required to be recovered.

747. The Department intimated in reply that at the advice of Commercial Audit, the whole case was rechecked by the internal Auditors, who had observed that there was a shortage of Rs. 31,058.83 only. The same amount had been recovered|adjusted in full. The Inventory systems had been improved and necessary steps taken to avoid recurrence. The Paragraph was settled subject to verification by Audit.

748. *Expected loss of Rs.* 23,279 *due to non-recovery of Advance* (*Para* 33, *page* 47-*ARCA*).—Audit pointed out that the Corporation advanced an amount of Rs. 219,250 in May, 1977 to Nowshera Engineering Company for procurement of 45 Tons M.S. Bars, against which only 40 Tons were supplied. The balance amount of Rs. 23,279 towards the cost of 5 Tons M.S. Bars which were not supplied, was not recovered. The Department reported that the Company was denationalised and it was now under the Ministry of Production and efforts for recovery were being made. The Board of Directors had taken decision in the matter. Recovery was expected soon. The Committee directed that progress of recovery may be reported. The consideration of paragraph was deferred.

AUDIT REPORT (1984-85)

749. *Un-necessary withdrawal of Government Funds Rs.* 198,000 (*Para* 1, *page* 122-*AR*).—According to Audit, in a Directorate of Kashmir Affairs Division an amount of Rs. 198,000 was withdrawn on Government Account on 29th

June, 1985 and was deposited in a Private Bank Account. Subsequently this amount was partially utilised leaving a balance of Rs. 30,126. The Department explained in reply that the full amount had been utilized. The case pertained to 1975-76 and was pointed out by Audit in 1980. Since the Department had been abolished and incumbants retired, no action was now possible. The Bank Account under objection also stand closed since 27th July, 1977. The case regarding condonation of irregularity had also been referred to Finance and desired by Audit. The Committee directed, that Audit should verify the facts and the Department should be careful in future.

COMMERCIAL AUDIT REPORT (1984-85)

750. *Increase in Sundry Debtors Rs.* 1.43 *million* (*Para* 305, *page* 194-*ARCA*).—Audit had pointed out that Sundry Debts of Corporation of Rs. 1 million in June, 1983 increased to Rs. 1,4538 million at the close of the year 1983-84. These debts were accumulating since 1975-76. Rs. 743,824 outstanding against P.S.O. had been ruled out by Ombudsman on technical grounds as agreement made with P.S.O. was defective.

751. On hearing the departmental explanation the Committee deferred the Para and directed the Division to intimate the final progress made.

752. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points paras in the Appropriation Accounts, Audit Report and Commercial Accounts thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit, as may be necessary under the rules.

753. The Committee then adjourned to meet again at 9.00 a.m. on Thursday, the 2nd April, 1987.

M. A. HAQ,
Secretary.

Islamabad, the 18*th July*, 1987.

Annexure '3'

FEDERAL COUNCIL SECRETARIAT

Thursday, the 1st November, 1984

Tenth Sitting (PAC)

*1446. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Buildings, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

(1) Akhunzada Bahrawar Saeed, Member, Federal Council .. .. *Member (Acting Chairman).*

(2) Syed Saieed Hasan, Member, Federal Council .. *Member.*

(3) Mir Jam Ghulam Qadir Khan of Lasbela, Federal Council .. .. *Member.*

(4) Mr. Abdul Qadir, Former Chairman, Railway Board .. .. *Member.*

Federal Council Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.

(6) Mrs. S. N. Sheikh, Director General, Commercial Audit.

(7) Mr. A.S. Ansari, Director General, Audit Defence Services.

(8) Mr. Iftikhar Ali Khan Raja, Director General, Audit and Accounts Works.

*Paragraphs upto 1445 pertain to other Ministries/Divisions.

Ministry of Finance.

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Mr. Muhammad Abuzar, Section Officer.

(3) Mr. Zafar Mian, F.A. (States and Frontier Regions).

1447. *Accounts examined.*—Accounts pertaining to the States and Frontier Regions Division were examined by the Committee during the course of the day.

STATES AND FRONTIER REGIONS DIVISION

1448. The Committee took up for its examination, the Appropriation Accounts etc., pertaining to the States and Frontier Regions Division. The following departmental representatives were present :—

(1) Mr. Munir Hussain, Secretary.

(2) Brig. (Retd) Usman Khan, Joint Secretary.

(3) Mr. M. Ramiz-ul-Haq, Deputy Secretary.

(4) Lt. Col. M. Siddique Akbar, Deputy Secretary.

(5) Mr. Fateh Muhammad, Section Officer.

(6) Mr. U.D.K. Lodhi, OSD (F&A)

(7) Mr. Samsamul Mulk, Additional Secretary (Home) N.W.F.P.

(8) Mr. Mehboob Shah, Commandent, Frontier Constabulery.

(9) Mr. Amanullah Khan, Director (Food), N.W.F.P.

(10) Mr. Aziz-ul-Hsan, Chairman, FATA Development Corporation.

(11) Dr. Abdul Khaliq, Secretary (Health), N.W.F.P.

(12) Mr. Muhammad Azim Khan, Secretary (Education), N.W.F.P.

(13) Mr. Ataur Rehman Khan, Secretary (C&W), N.W.F.P.

(14) Mr. M. Amin Khattak, Chief Engineer (P.H.E.), N.W.F.P.

1449. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	States and Frontiers Regions Division	117
2.	Frontier Regions	118
3.	Federally Administered Tribal Areas	119
4.	Maintenance Allowance *Ex*-Rulers	120
5.	Other Expenditure of States and Frontier Regions Division ..	121
6.	Development Expenditure of States and Frontier Regions Division	165
7.	Development Expenditure of Federally Administered Tribal Areas	166
8.	Capital outlay on Development of Tribal Areas	189

1450. *Reconciliation of Accounts with Audit.—The Committee noted that the reconciliation work of June, 1980 had not been progressing satisfactorily. The departmental representative was directed that the reconciliation of Accounts up to September, 1980 should be completed as early as possible and that monthly accounts thereafter should be reconciled promptly and regularly.*

AUDIT REPORT

1451. *Irregular and un-economical purchase of stock for Rs. 997,667 (Para 3, page 268-AR).*—Audit had reported that out of Afghan Refugees Account Rs. 997,667 were spent by the Political Agent Kurram Agency in May and June, 1981 for the purchase of furniture (Rs. 521,691) Vaccum flasks Tumblers (Rs. 56,050) and machinery and equipment (Rs. 419,916). The stock was purchased without adopting the open tender system and without the sanction of the competent authority. The vouchers were also not available for Audit. 3% income tax on the supplies amounting to Rs. 23,590 was also not deducted from the bills of the supplier.

1452. The Division explained that open tender system was adopted for the purchase and the Director Information Department was requested to publish the tender notice. As regards sanction to the incurrence of expenditure, it was stated that the Commissioner, Afghan Refugees was competent and the bills were duly admitted by the Agency Accounts Officer, Kurram.

1453. The Division further state that income tax was not leviable in the Agency and Tribal Areas as the Income Tax Act, had not been extended to that region.

1454. In view of the above explanation, the Committee decided to drop the the paragraph Subject to verification by Audit.

1455. *Irregularities in the Nazarat Accounts, Afghan Rafugees of Deputy Commissioner, Bannu (Para 4, page 268-AR).*—After examination of the explanation of the Division and the Audit comments thereon, the Committee decided to drop the paragraph subject to verification by Audit.

1456. *Irregularities in the Accounts of Deputy Commissioner, DIR (Afghan Refugees) (Para 5, page 269-AR.)*—Audit had accepted the explanation of the Division and recommended the settlement of this paragraph. The paragraph was dropped.

1457. *Non-maintenance of disbursement Account of Levies' Pay and Allowances (Para 6, page 269-AR).*—According to Audit, in the office of political Agency, Orakzai Rs. 5,803,800 were shown to have been disbursed to the levies during 1978-79, without keeping appointment orders, service rolls and proper acquittance rolls. The disbursement of pay and allowances in the succeeding years also could not be vouched in the absence of initial record. Despite a lapse of more than three years the cases were not investigated nor were any corrective measures adopted till the end of 1982.

1458. The Division explained in their replies that the service record had been completed and a certificate also issued by the Agency Accounts Officer, Orakzai Agency. Warning had also been issued to the concerned official to be careful in future in the maintenance of record.

1459. Audit felt that the Division should have explicitly stated that in accordance with the service record now constructed, Rs. 5,803,800 were correctly disbursed to the levies in 1978-79 and also in subsequent years.

1460. In the light of the above position, the Committee decided to drop the paragraph subject to verification by the Audit of the explanation given by the Division.

1461. *Irregularities in the Accounts of Integral Rural Development Programme; Markaz Parachinar (Para 7, page 269-AR).*—The detailed explanation furnished by the Division was considered by the Committee, which took the following decisions :—

(i) As for the irregularity pointed out by Audit in paragraph 7 (i) (a), the the departmental representative was directed that necessary information regarding the payment to the Village Organisation should be made available to Audit for verification. Subject to this the paragraph was dropped.

(ii) As regards paragraph 7 (i) (b) the Committee dropped it subject to verification by Audit.

(iii) As for the irregularity in paragraph 7 (ii), of the Audit objection the Committee considered that due to non-submission of the expenditure account of cement consumed by the Village Organisation, the paragraph be dropped subject to verification by Audit.

1462. *Shortage of stock valuing Rs. 13,120 (Para 8, page 270-AR).*—The Committee directed the departmental representative to supply for verification the information as asked for by Audit in its comments on the Division's reply. The Committee, therefore, decided to drop the paragraph subject to the satisfaction of Audit.

1463. *Infructuous expenditure of Rs. 91,771 on staff of an upgraded school (Para 9, page 270-AR).*—According to Audit, a middle school in the North Waziristan Agency was upgraded to high school in December, 1977. Rs. 91,771 were spent from December, 1977 to October, 1979 on the additional staff sanctioned for the up-graded school. However, only one student was admitted in the high classes in the academic year 1979-80. The Division explained as under :—

(i) Due to Tribal disputes the school remained closed for about 11 months which adversely affected the enrolment.

(ii) There is no Boarding House in the school as a result of which the students of distant villages preferred to take admission in schools which have Hostels.

(iii) The small number of students in a educational institution did not constitute a financial irregularity. In fact the educational development of the Tribal Areas, which was a constitutional obligation, required that the facilities of higher education should be extended even in the interior parts thereof, so that the travelling expenses of the students were minimised.

(iv) The present enrolment in the Middle and High Sections is more than 90 which might increase considerably with the provision of hostel facilities.

1464. Accepting the explanation of the Division and after seeking further clarifications the Committee decided that the paragraph be dropped.

APPROPRIATION ACCOUNTS

1465. *Grant No. 117—States and Frontier Regions (Pages. 1110-1112-AA).*—No observation was made by the Committee on this Grant.

1466. *Grant No. 118—Frontier Regions (Pages 1120—1129-AA).*—The appropriation accounts show an excess of Rs. 2,681,864 under this grant. The Division explained that the actual expenditure duly reconciled with Audit was Rs. 206,201,004 against the Final Grant of Rs. 207,182,715 and as such there was a saving of Rs. 981,671 which was within 5% of final appropriation. The difference of Rs. 3,700,000 between the Final Grant showed by the Division and that shown by Audit was due to the fact that the supplementary grant of Rs. 3,700,000 sanctioned by the Finance Division for construction of Levy Picquets and Barracks had not been taken into account by Audit.

1467. Audit stated that the Supplementary Grant of Rs. 3,700,000 was not in the printed book, hence there was no question of its inclusion in the final grant.

1468. Audit further stated that detailed, objectwise, position had been disputed by the Division on two grounds (i) Supplementary Grant not appearing in the book and (ii) Break up of lump sum provision of Rs. 8,800,000 under 500 to various objects. In both cases, working of Audit was correct on the following grounds :—

(i) Supplementary grant did not appear in book of supplementary grants, and

(ii) No lump sum provision of Rs. 8,800,000 was shown in the budget.

1469. *The Committee agreed with Audit and directed the departmental representative to look into it and reconcile the position with Audit.*

1470. *Function Head 225—Frontier Watch and Ward—Object 011—Officers.*—The appropriation accounts show an excess of Rs. 30,079 under this object. It was explained by the Division that the actual expenditure duly reconciled with Audit had come to Rs. 599,519 against the Final Appropriation of Rs. 505,740 and as such there was a saving of Rs. 6,221 which was less than the permissible limit of 5% of the Final Grant. The difference of Rs. 36,300 between the Audit and the departmental figures of Final Appropriation was due to the fact that the distribution of lump sum provision amounting to Rs. 8,800,000 available under " 500-Commodities and Service " relating to raising of 10 platoons of Frontier Constabulary for Islamabad, authorized with the approval of the Finance Division had not been accounted for under 011-Pay of Officers but taken under " 500-Commodities and Services " by Audit.

1471. Audit pointed out that the difference in final grant (Rs. 36,300) was due to the reason that Department had distributed the lump sum provision of Rs. 8.8 million and taken Rs. 2,258,800 under Object 500. Audit had taken entire lump sum provision of Rs. 15 lakh under Object 500 as this was the only lump sum provision shown in the budget.

1472. Audit further pointed out that the proper way to transfer a provision from one object to an other was reappropriation and this course was not adopted by the Division. Moreover, there was no lump sum provision of Rs. 8,800,000 in the budget. *The Committee agreed with Audit and observed that the department could have reappropriated the funds. In future the department should correctly and in time reappropriate the provision from one object to an other under intimation to Audit.*

1473. *Grant No. 119—Federally Administered Tribal Areas (Pages 1130—1152-AA).*—The appropriation accounts show an excess of Rs. 2,923,876 in this grant. It was explained by the Division that the Budget Grant had covered the current expenditure of FATA. The figures of final appropriation and actual expenditure for the Budget Grant as a whole tallied with these shown in the published Accounts. The reconciled figures of final appropriation and actual expenditure were Rs. 295,198,050 and Rs. 298,421,925, respectively.

1474. A member of the Committee after examining the reply of the Division observed that in various places the Division had explained that saving was due to non-utilization of funds. The departmental representative explained that for effecting economy, a circular was issued that certain commodities would not be purchased and expenditure would be deferred.

1475. After discussion, *the Committee directed that in respect of functions '014—Object -500' and '231—Object 500' the Ministry must give specific reasons for savings, if any, while replying to any Audit observations and not say "saving due to non-utilization of funds".*

1476. *311—500-Commodities and Services.*—The appropriation accounts show an excess of Rs. 3,818,242 under this object. The Division stated in their written reply that the excess was due to operation of suspense accounts without budgetary provision by the C&W Department. However, the Department had been asked to make budgetary provision in future.

1477. A member of the Committee took a serious view of the matter and enquired whether the Division had taken any disciplinary action against the person responsible. The departmental representative promised that a separate note would be sent to the Committee through Audit.

1478. *The Committee finally directed that a note, giving the details and procedures and rules should be furnished to Audit by the Division who would verify and report back to the Committee.*

1479. *Grant No. 120—Maintenance allowance to* Ex-*Rulers (Pages 1198-1199-AA).*—The published accounts show a net saving of Rs. 1,599,900 under this grant. It was explained by the Division that the grant had covered expenditure on the payment of maintenance allowance to the Rulers of former States of Bahawalpur, Khairpur, Kalat, Kharan, Makran and Lasbela and the Mehtar of Chitral. Further, that the departmental figures of actual expenditure based on the quarterly releases authorised by the respective Accountant General and the reconciled statement for 1981-82 had come to Rs. 3,044,760 *i.e.,* equal to the Final Grant and as such there was neither any saving nor any excess.

1480. Audit stated that the saving of Rs., 1,599,900 was due to the payment of maintenance allowance from Provincial Budget instead of Federal Budget to the *Ex*-Amir of Bahawalpur (Rs. 1,600,000 made by D.A.O. Bahawalpur). Audit further pointed out that according to the procedure the payment was to be made from federal budget and then this was to be recovered from the Province. this procedure was not adopted by the Division and that was why the expenditure as well as the actual recovery on this account were not appearing in the Appropriation Accounts.

1481. In view of the position stated by Audit, the Committee did not made any further observation except that this was wrong accounting.

1482. *Grant No. 121—Other Expenditure of States and Frontier Regions Division (Pages 1114—1120-AA).*—A net excess of Rs. 613,661,491 is shown in the Appropriation Accounts in regard to this grant. The Division stated that the grant had covered the current expenditure on the Chief Commissioner Afghan Refugees, FATA Development Corporation, Kabul Refugees who settled in Pakistan before 1947 and Afghan Refugees Organisation in N.W.F.P., Baluchistan and Northern Areas. They further stated that there was no difference on the whole between Audit and departmental figures of Final Grant. There was, however, a difference in the final grant under code 014 and 489 which was due to the reasons that a surrender order for Rs. 321,522 issued in respect of Northern Areas Gilgit wherein Code 014 was inadvertently shown instead of 489. Therefore, was a large amount in Code 014 and smaller amount to the same extent under Code 489. However, there was no overall difference in the Final Grant. The Division also stated that the departmental figures of actual expenditure which had been reconciled with Audit had come to Rs. 2,077,498,372 against the Final Grant of Rs. 1,806,044,491. As such, there was an overall excess of Rs. 271,453,881. Audit pointed out that the reconciliation under Codes 014,232 and 489 was yet to be finally carried out by Division.

1483. In view of the above explanation and comments *the Committee directed that the Division should initiate action in respect of finalization of reconciliation and they should be careful in this regard in future.*

1484. *Grant No. 165—Development Expenditure of States and Frontier Regions Division (Page 1121-AA).*—The published Accounts show a net saving of Rs. 1,370,666 under this grant. The Division contended that the final grant according to the department had come to Rs. 13,828,000. This amount was sub-allocated between various elements of CAF under their administrative control.

1485. The Division further explained that the entire amount of Rs. 13,828,000 was released to Pak. P.W.D. in accordance with the scheme of Departmentalisation of Accounts for credit into the P.L.D. Accounts of the respective Divisions of Pak. P.W.D. to carry out the works in N.W.F.P., and Baluchistan. An amount of Rs. 9,007,000 was transferred to Pak. P.W.D. in NWFP and Rs. 4,821,000 to the Pak. P.W.D. in Baluchistan. As the releases of the entire amount were made by the Director General Audit and Accounts Works, Lahore in accordance with the Sanctions issued by the Division, the same had been reconciled with them. The actual expenditure of Rs. 12,457,334 printed in the Appropriation Accounts indicated a saving of Rs. 1,370,666 against the release of Rs. 13,828,000 made during the year. The Pak. P.W.D. in NWFP and Baluchistan had not reported the reconciled figures of expenditure to the Division.

1486. Audit maintained that the final grant had been accepted by the Division. Expenditure of Rs. 12,457,334 pertained to funds credited in the P.L.D. Accounts of Pak. P.W.D. Divisions for execution of works of the Division.

1487. A member of the Committee remarked that the problem of proper accounting had not been resolved. Someone should be deputed to do the accounting of actual expenditure. Figures thereof should come through the Director Budget. The Division and Audit should make some arrangement to remove the difficulty. The departmental representative undertook to make the arrangement.

1488. After further discussion, *the Committee directed that whenever money was released to Pak. PWD., or Divisions by the Director (Works) Audit, the Central Directorate of Pak. PWD should be invariably endorsed a copy of the release order for making surrenders of the unspent amounts suitable in time. Arrangements should be made between Audit and the Pak. PWD and the previous four years' accounts should be prepared and checked as early as possible.*

1489. *Grant No. 166—Development Expenditure of Federally administered Tribal Areas (Pages 1154-1155-AA).*—A net saving of Rs. 5,572,778 is shown in the published accounts for this grant. It was stated by the Division that its actual expenditure, which had been reconciled with Audit was Rs. 285,865,654 against the Final Appropriation of Rs. 292,501,000. As such, there was a saving of Rs. 6,635,346 which had worked out to 2.3% of the Final Appropriation, and fell within the permissible limit of 5%.

1490. Audit pointed out in their comments that provision in this grant was for expenditure on various schemes in the Federally Administered Tribal Areas. The difference of Rs. 1,062,568 in the Audit and departmental figures was due to the fact that upto-date reconciliation did not take place. The detailed position had been conveyed to the Division for further reconciliation.

1491. Explaining the activities of FATA Development Corporation, the departmental representative stated that there was a special programme in addition to the normal aid and annual development programme *viz* irrigation works under which water resources were being utilized and new tube-wells were being installed for bringing more land under cultivation and thus considerable development has been taking place. Other development activities were in the fields of agriculture, health, education, roads etc, which increased the economic development of these areas.

1492. Replying to a query as to what was the per capita income, the departmental representative submitted that unfortunately this could not be ascertained as no survey was conducted to collect the information. However it would be ascertained during 1985-86 as a result of new programmes.

1493. A member of the Committee observed that the actual expenditure had been Rs. 285 million. The difference was of Rs. 1 million in the Audit and departmental figures. The department said that the Figures had been reconciled whereas Audit's views were that they had yet to go into the details to prepare a reconciliation.

1494. After further discussion, *the Committee directed the departmental representative that the aforesaid difference should be reconciled and thereafter reported to the PAC. The paragraph was, therefore, deferred.*

1495. *Grant No. 189—Capital outlay on Development of Tribal Areas (Page 1200—AA).*—There was nothing material for consideration by the Committee under this grant.

COMMERCIAL ACCOUNTS

FATA Development Corporation Headquarters

1496. *Loss of Rs. 275,490 on construction of an Irrigation Scheme (Para 44, page 43-ARCA).*—Audit had reported that :—

(i) FATA Development Corporation entered into an agreement with a contractor in July 1973 for the construction of abutment and drainage culvert of an Irrigation Scheme. Due to slow and un-satisfactory performance of the constractor, the contract was rescinded in July, 1975 and the execution of the work was undertaken departmentally. The abutment of main aqueduct at RD 5,000 of the Scheme failed on 15th October, 1977 due to cracks which had developed therein as a result of improper curing or in proper mix of mortar. So that the expenditure of Rs. 212,507 incurred on the construction of the abutment turned out to have been wasted.

(ii) Similarly, the construction of drainage culvert executed by the same contractor collapsed at RD-7,850 when put to trial on 19-1-1979. Consequently, the whole drainage culvert has to be dismantled and the entire expenditure of Rs. 62,983 incurred thereon turned to be wasteful.

1497. The Division explained that the matter was referred to the Corporation on 13-9-1982 followed by remainders dated 15-11-1982 and 1st January, 1983. Their reply was sent to Audit on 11-8-1983.

1498. The Division further stated that an Inquiry Officer was appointed to inquire into the matter. His findings were under examination in the Corporation.

1499. Questioned as to how the Ministry would justify the delay in finalising the case. The departmental representative said that the inquiry had been concluded recently. The member enquired as to whether the department was accepting the recommendation in the report. The departmental representative replied that they were looking into that also.

1500. After discussion, *the Committee directed the Corporation to complete action on the report within two months and furnish the report and a note on the action taken to Audit who may come to the PAC, if necessary. Progress of the action taken by the Division would be watched by Audit. The paragraph was, therefore, deferred.*

Bara Cigarette Factory, Bara

1501. *Loss of Rs. 1,013,061 due to non-acceptance of fire claim by the Insurance Corporation (Para 45, page 43-ARCA).*—The Committee did not make any observation on this paragraph except that further progress should be watched by Audit.

FATA Tochi Valley Match Factory

1502. *Extra Expenditure of Rs. 287,653 on piecemeal purchase of chemicals (Para 46, page 44-ARCA).*—In view of the Audit comments on the reply of the Ministry and after hearing the departmental representative, the Committee did not make any further observation, and the paragraph was dropped subject to the satisfaction of Audit.

FATA Leather Tanneries Jandola

1503. *Irregular payment of Rs. 12,547 to employees (Para 47, page 45-ARCA).*—According to Audit, in Leather Tanneries, Jandola, a foreman was appointed in Grade-10 in Pay Scale of Rs. 410-22-520/24-760 *w.e.f.* 8th February, 1978 and was placed on probation for a period of one year. He was allowed four advance increments *w.e.f.* 1st July, 1978, during his probation period. Grant of advance increments during probation was irregular as neither it was covered by the Service Rules of the Corporation nor was it within the compliance of the General Manager who granted it.

1504. It was explained by the Division that the General Manager did not sanction higher pay initially to the foreman ; but undertook to review it, subject to the performance of the new recruit. After observing him and being satisfied, the General Manager allowed him four advance increments. This action of the General Manager was covered under item 6(a) of the Factories Services Standing Orders Part-I which not only empowers him to recruit workers for the factory but also authorizes him to fix their pay at any stage within the scales.

1505. Audit insisted that the General Manager was not competent to increase the salary of an employee after appointment at a fixed salary or time scale of pay without approval of the High Officer. Rule 6(a) of service Standing Orders Part-I only provides for the fixation of the pay of the selected candidates at any stage within the scale of the post.

1506. After discussion, *the Committee directed that Rules must be strictly followed and, if for any reason a rule is not found to be practicable, it should be suitably amended.*

1507. *Delay in the Disposal of Audit/Inspection Reports (Para 48, page 46-ARCA).*—After examining the reply of the Ministry, the Comimittee decided that the paragraph be dropped.

FATA Kurram Fruit Products

1508. *Working results (Paras 717—721, page 263-ARCA).*—The Committee did not make any observation on the above mentioned paragraphs and as such these were dropped.

COMPLIANCE ON THE POINTS CONTAINED IN THE 1979-80 PAC REPORT

1509. *Reconciliation of Accounts with Audit (Paras 1233—1235, pages 348-349-PAC Report 1979-80).*—The Committee did not make any observation on the above paragraphs and as such these were dropped.

1510. *Infructuous expenditure of Rs. 4,663,487 on shingle road (Para 53, page 47-AR) (Paras 1236—1239, page 349-PAC Report 1979-80).*—The Division replied that the construction of a 25 miles shingled Road from Hulangi to Khar Mir Sharbati was started in order to reduce the distance between Khar and Batkhela by 29 miles. After construction of five miles of the road, the project had to be abandoned on account of political opposition.

1511. The road which had been constructed was in use and the expenditure had not gone wasted and that portion of the road which was abandoned would be constructed in the near future.

1512. Replying to a query as to how much money was allocated for it and who ordered abondoning it, the departmental representative submitted that there were groups in the Tribal Area which did not want this road to be constructed. The Governor had taken a decision to defer the construction. The retension in any case, was to open the area through the construction of the road and to reduce the travel time between Khar and Batkhela. Now things were getting a little better and the construction of the road was going to be resumed.

1513. In view of the above explanation, the Committee did not make further observation on the above mentioned paragraphs and these were dropped.

1514. *Irregular drawal of pay for un-recruited Khassadars, amounting to Rs. 2,036,252 and embezzlement of Rs. 319,679 (Para 54, page 48-AR) (Paras 1240—1242, pages 349-350-PAC Report 1979-80).*—A member of the Committee observed that the *Ex*-Commissioner must be held responsible about this. The departmental representative informed the Committee that the official involved in this case was the cashier. He was under trial in a Special Judge Court. In order to fix responsibility and to find out if others were involved, the Division had initiated an inquiry and the Additional Commissioner, Peshawar was investigating the case ; but he was facing some difficulties in finding the original documents.

1515. After hearing the deparmtental representative *the Committee decided that the paragraph may be deferred.*

1516. *Undue financial aid of Rs. 588,851 to contractors* (*Para 55, page 48-AR*) (*Para 1243, page 350-PAC Report 1979-80*).—Audit having been satisfied, the committee decided to drop the above paragraph.

1517. *Loss due to Sale of Sugar at Lower rates Rs. 531,740* (*Para 56, page 49-AR*) (*Para 1244, page 350-PAC Report 1979-80*).—Since Audit had not been able to verify, they promised to verify the point in next audit and would report back, if necessary.

Financial indiscipline in Political Agent's Organization (*Para 57, page 49-AR*) (*Paras 1245-1246, page 350-PAC Report 1979-80*).

Doubtful expenditure of Rs. 345,000 on shuttering material (*Para 58, page 50-AR*) (*Para 1247, page 351-PAC Report 1979-80*).

1518. In view of departmental/Audit replies the committee decided to drop the above paragraphs.

Excess payment of Contractors Rs. 163,510 (*Para 59, page 50-AR*) (*Paras 1248—1250, page 351-PAC Report 1979-80*).

Excess payment of Rs. 107,030 to a contractor (*Para 60, page 52-AR*) (*Paras 1251—1253, page 350-PAC Report 1979-80*).

1519. The Committee decided to drop the paragraphs subject to verification of recovery by Audit.

1520. *Misappropriation of Stores worth Rs. 52,500* (*Para 61, page 52-AR*) (*Paras 1254-1255, page 352, PAC Report 1979-80*).—In reply to a query, the departmental representative informed the Committee that a warning was issued to the Engineer concerned and had been placed in his Annual Confidential Report. The Committee did not make any further observation except that the loss should be written off since it was not recoverable.

1521. *Theft of Stores worth Rs. 19,500* (*Para 62, page 52-AR*) (*Paras 1256-1257, page 352-PAC Report 1979-80*).—After some discussion the Committee decided to drop the paragraph subject to verification of regularisation action by Audit.

1522. *Non-recovery of Rs. 15,531 due to non-accountal of stores in the Contractors ledger* (*Para 63, page 52-AR*) (*Para 1258, page 351-PAC Report 1979-80*).—Audit informed the Committee that recovery of Rs. 15,531 had been verified and action against Divisional Accountants was under process. The Committee did not make any further observation.

1523. *Misappropriation of 1.5 tons Steel worth Rs. 6,540 (Para 65, page 53-AR) (Para 1260, pages 352-353-PAC Report 1979-80).*—Audit informed the Committee, that 1.5 tons Steel was taken on Stock in November, 1982. The Committee decided to drop the paragraph subject to follow up action by Audit.

1524. *Grant No. 117—Federally Administered Tribal Areas (Page 133-AA) (Paras 1263—1265, page 353-PAC Report 1979-80).*—The Committee decided to drop the paragraphs subject to verification by Audit.

1525. *Grant No. 119—detailed function 232-Other places of detention and correction (Page 136-AA) (Paras 1266—1268, pages 353-354-PAC Report 1979-80).*—The Division informed the Committee that a detailed function '483 Refugees Relief' had been added by Audit in the Chart of Classification (Second Edition) to book the expenditure on Afghan Refugees from the year 1984-85. Regarding sale of foreign Aid items the Division stated that necessary instructions had been issued to all concerned for compliance. The Committee did not make any further observation.

FATA Corporation (Paras 1270—1272, page 354-PAC Report 1979-80).

Grant No. 112—Frontier Regions-Group 'A' (Page 131-AA) (Para 250, page 285-PAC Report 1977-78) (Paras 1273-1274, pages 354-355-PAC Report 1979-80).

1526. The Committee observed that it could not take up the consideration of these paragraphs so far as the annexures of the replies would require considerable time and sufficient time was not given to the Members to read them. Therefore, these paragraphs were deferred.

1527. *The Committee further directed that the classifications may be re-checked and entries corrected accordingly.*

1528. *The Committee also directed that it was not necessary to reproduce in the Compliance Statements the paragraphs, which had been dropped or on which no action was called for.*

1529. *Point not discussed to be treated as settled.*—The Committee did not make any observation on other paragraphs and points in the Appropriation and Commercial Accounts 1981-82, and the Audit Reports thereon ; and the Compliance Report on the PAC's Report for 1979-80. These would be deemed as settled to such regularisation action as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 17*th November,* 1986.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 31st August, 1986

Thirteenth Sitting (PAC)

*860. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(4) Ch. Muhammad Sarwar Khan, M.N.A. .. . *Member.*

(5) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(6) Malik Said Khan Mahsud, M.N.A. .. .. .. *Member.*

(7) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).

(5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

(7) Mr. Iftikhar Ali Khan Raja, Director General, (A&A Works).

Ministry of Finance .

Mr. S. M. Badrul Hassan, Deputy Secretary (Budget).

*Paragraphs upto 859 and 861 to 916 pertain to other Ministries/Divisions.

STATES AND FRONTIER REGIONS DIVISION

917 The Committee took up for examination, the Appropriation Accounts etc., pertaining to the States and Frontier Regions Division. The following departmental representatives were present :—

(1) Syed Munir Hussain, Secretary,

(2) Mr. Asadullah Khan, Joint Secretary.

(3) Mr .Abdul Rauf Khan, Joint Secretary.

(4) Mr. Fateh Muhammad, Section Officer.

(5) Mr. Umar Draz Lodhi, OSD (F&A).

(6) Mr. Arshad Farid, Chairman, FATA Development Corporation.

(7) Mr. Shamsher Ali Khan, Home Secretary, NWFP.

(8) Mr. Saeedullah Jan, Finance Secretary, NWFP.

(9) Mr. Abdul Majid Khan, Secretary (C&W) NWFP.

(10) Mr. Rashid Ahmad, Secretary (C&W) NWFP.

(11) Mr. Amanullah, Director Food, NWFP.

(12) Mr. Mohammad Afzal, Joint Secretary Home, Baluchistan.

918. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	States and Frontier Regions Division	115
2.	Frontier Regions	116
3.	Frontier Constabulary	117
4.	Federally Administered Tribal Areas	118
5.	Maintenance Allowance to *Ex*-Rulers	119
6.	Other Expenditure of States and Frontier Regions Division ..	120
7.	Development Expenditure of States and Frontier Regions Division	164
8	Development Expenditure of Federally Administered Tribal Areas	165
9.	Capital Outlay on Development of Tribal Areas ..	189

919. *Reconciliation of Accounts with Audit.*—The Committee directed that reconciliation of figures of expenditure for 1985-86 in respect of Deputy Director Afghan Refugees (Food) Karachi and Chief Commission Afghan Refugees Warehouse, Karachi should be completed without further delay.

APPROPRIATION ACCOUNTS

920. *Grant No.* 115—*States and Frontier Regions Division* (*Page* 7-*AA*).—There was neither any excess nor saving under this grant.

921. *Grant No.* 116—*Frontier Regions* (*Page* 796-*AA*).—This grant closed with a net saving of Rs. 1,951,286. According to Audit Supplementary Grant of Rs. 18,784,000 proved partly unnecessary in view of above saving. The saving being within permissible limit the Committee did not make any observation.

922. *Grant No.* 117—*Frontier Canstabulary* (*Page* 799-*AA*).—According to Appropriation Accounts there was a saving of Rs. 420,274. The saving being nominal, the Committee did not make any observation on it.

923. *Grant No.* 118—*Federally Administered Tribal Areas* (*Page* 802-*AA*).—The grant closed with an excess of Rs. 7,811,155 even in view of the fact that the Department obtained a huge amount of Supplementary Grant of Rs. 22,000,000. The Department explained that the excess was mainly due to increase in the rates of House Rent, Conveyance Allowance and Dearness Allowance, sanctioned with effect from 1st July, 1982. The expenditure was inevitable and Supplementary Grant demanded for the purpose was not allowed by the Finance. Although figure of Department under various Functions|Objection differ with Audit, the figures of Final Grant and total actual expenditure under the grant as a whole reconcile totally. The Committee desired that Audit should verify the statement and see if Performance Audit of FATA Projects under this grant could be carried out.

924. *Grant No.* 119—*Maintenance Allowance of Ex-Rulers* (*Page* 846-*AA*).—The grant closed with a saving of Rs. 1,400,000. The Department explained that an amount of Rs. 1,600,000 was paid to the Amir of Bahawalpur by District Accounts Officer Bahawalpur from the Provincial Budget and the amount of Rs. 1,600,000 placed at the disposal of Sub-Office, AGPR, Lahore remained un-utilised during 1982-83. The saving shown less by Audit by Rs. 200,000 was due to the fact that AGPR Sub-Office, Karachi depicted an excess of Rs. 200,000 paid to Jam Sahib of Lasbella which was debitable to Baluchistan Circle. The Committee observed that the Department should see that Funds were used for the purpose for which those were allocated.

925. *Grant No. 120—Other Expenditure of States and Frontier Regions (Page 791-AA)*.—There was a saving of Rs. 384,446,643. The Department pointed out that there was a difference of Rs. 213,592,523 in the figures of Final Grant as shown by Audit and as per Departmental record. The surrender orders to the extent of the aforesaid amount were not accounted for by Audit. Again there was a difference of Rs. 117,175 in the figure of actual expenditure Audit held that since these surrenders were made after 31st March, 1983, these were not valid, being contrary to the instructions on the subject as for expenditure, this had already been accepted. The Chairman observed that Audit should carry out a comprehensive audit of expenditure under this Grant. The Committee directed that a detailed report on the management of Afghan refugees should be submitted by the Ministry.

926. *Grant No. 164—Development Expenditure of States and Frontier Regions Division (Page 794-AA)*.—The Grant closed with a saving of Rs. 6,914,500 which was about 20 per cent of the Final Grant. The Department pointed out that Final Grant according to them was Rs. 27,485,000 and that an amount of Rs. 6,914,500 surrendered by the Department had not been accounted for by Audit, while working out Final Grant. As for actual expenditure, total remaining grant of Rs. 27,485,500 was released to the Pak. PWD in accordance with the Scheme of Departmentalization of Accounts for credit in PLD Accounts of respective Divisions of Pak. PWD.

927. The Chairman observed that the amount should have been surrendered before 31st March, 1983, as after that date no surrenders are generally acceptable. The Department should supply a list of projects being financed from this Grant. The Department promised to supply such a list.

928. *Grant No. 165—Development Expenditure of Federally Administered Tribal Areas (Page 816-AA)*.—The Grant closed with a net saving of Rs. 53,325,665, which was about 13 per cent of Final Grant. The Chairman remarked that the amount should have been surrendered in time. The Departmen explained that an amount of Rs. 50,000,000 was surrendered on 30th June, 1983. Audit, however, held that the surrender made on the last day of the Financial year was in fact no surrender. The Committee observed that the surrender should have been made in time.

929. *Grant No. 189—Capital Outlay on Development of Tribal Areas (Page 848-AA)*.—There was no Variation between Final Grant and Actual Expenditure, hence the Committee did not make any observation on this grant.

AUDIT REPORT

930. *Excess Payment of Rs.* 47,553 *to Contractor* [*Para* 1 (*iii*), *page* 101-*AR*].—According to Audit Report, certain contractors were overpaid an amount of Rs. 47,553 due to applications of incorrect rates and over-payment though pointed out, was not recovered. The Department explained that amount over-paid worked out to Rs. 40,883, which had since been recovered. The paragraph was settled subject to verification of recovery by Audit.

COMMERCIAL ACCOUNTS

FATA Development Corporation (Headquarter)

931. *Non-Adjustment of Investment of Rs.* 15,179,322 (*Para* 684, *page* 297-*ARCA*).—*Audit* pointed out that in the Accounts of the Corporation an amount of Rs. 134,611,553 appeared under head "Investment in Project etc.," which included an amount of Rs. 15,179,322 of Bara Vegetable Ghee Mills, which had already been dis-invested and handed over to Ghee Corporation of Pakistan since 1978-79. No adjustment of assets and liabilities had been carried out. The Department held that the decision of disinvestment was taken by Federal Government. No such adjustment was required.

932. A Member at this point questioned as to why industries run in FATA, fail? The Department explained that it was an attempt to divert from Agriculture to Industry for providing employment opportunities. Due to bad luck, the experiment failed. The Committee directed that the Ministry should submit a brief to the PAC, indicating causes which resulted in failure of industry.

933. *FATA Kurram Fruit Products* (*Paras* 690, 691 *and* 692, *page* 298-*ARCA*).—Audit while commenting on the Accounts of Factory pointed out that the Factory sold goods valuing Rs. 0.274 million during the year as against Rs. 0.411 million in the previous year and incurred gross loss of Rs. 0.621 million as against Rs. 0.511 million of the previous year. The Factory could not recover even its direct costs from the sale of products since its inception. The Factory was, therefore, closed on 1st January, 1983. The accumulated loss on 30th June, 1983 amounted to Rs. 6.273 million which had almost eroded the Government Equity (Rs. 7.095 million). Early disinvestment of the Factory needs consideration. Sundry debts, amounted to Rs. 319,142 included Rs. 93,397.36 outstanding since 1978-79 which appeared as doubtful recovery. Strenuous efforts were required to be made for the recovery of the outstanding amount. Against the closing stock of finished goods amounting to Rs. 404,776 and work in process of Rs. 223,971 finished goods valuing 27,067.35 were sold till December, 1983. In order to avoid deterioration in the condition of the stock, concrete efforts should be made for early disposal of fruit products. The unit was closed in 1983. The Department narrated the factors causing failure of the

Factory and reported that fruit crop also failed. They were trying their utmost to disinvest it or alternatively to lease it out. It was also reported that the amount of Debtors was Rs. 148.000, only, and remaining had been cleared. The Committee directed that Audit to verify the reply and subject to verification paragraph was dropped.

934. *FATA Tochi Valley Match Factory* (*Paras* 694,695, *page* 299-*ARCA*).—According to Audit Report, the Factory was closed from August, 1984 with an accumulated loss of Rs. 8.357 million upto 30th June, 1983. It was further pointed out that a payment of Rs. 25,000 was made for repair of Electric Generator, without the work having been done. The Committee directed that a brief may be submitted enlisting causes of failure of the factory.

935. *FATA Tochi Woollen Mills* (*Para* 698, *page* 300-*ARCA*).—Audit pointed out that Mills produced 97,345 kilograms carpet yarn as against installed capacity of 300,000 kilograms and incurred a net loss of 1.142 million during 1982-83. On a question from Chairman PAC, it was reported by Audit that losses during 1984-85 were 1.53 million and had accumulated to Rs. 5.160 million by the end of 1984-85. The Department explained that they were trying to disinvest as soon as we get the investment back. The Chairman observed that Department must do something for disinvestment before the Assets further erode which according to Department had increased in cost due to inflation.

936. *Points not Discussed to be Treated as Settled*.—The Committee did not make any observation on the other points/paras in the Appropriation Accounts, Audit Report (Civil and Commercial Accounts) thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

937. The Committee then adjourned to meet again at 9.00 a.m. on Monday, the 1st September, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 17th February, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 21st July, 1987

Eighteenth Sitting (PAC)

*953. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(3) Rai Arif Hussain, M.N.A. .. .. *Member.*

(4) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

(6) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. K.M. Chima, Secretary.

(2) Ch. Abdul Qadir, Additional Secretary.

(3) Mr. Muhammad Aslam, Deputy Secretary.

(4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

(1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(3) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(5) Mr. Ahmed Nawab Qureshi, Director General Commercial Audit.

(6) Mr. Irfan Husain, Director General (A&A Works).

Ministry of Finance and Planning Division :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Mr. Muhammad Zafar Mian, Joint Secretary|FA.

(3) Dr. S.N. Hyder, DFA (States and Frontier Regions).

(4) Mian Abdul Hakeem Director (Project Wing) Planning Division.

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*Paragraphs upto 952 and 954 to 1077 pertain to other Ministries/Divisions.

STATES AND FRONTIER REGIONS DIVISION

1078. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the States and Frontier Regions Division. The following departmental representatives were present :—

(1) Mr. F.K. Bandial, Secretary.

(2) Mr. Abdul Rauf Khan, Joint Secretary.

(3) Mr. Umar Draz Lodhi, OSD (F&A).

(4) Mr. Fateh Muhammad, Section Officer (F&A).

(5) Mr. Gohar Zaman, Commandent, FC, Peshawar.

(6) Mr. Mahmood Khan, Secretary, LG|RDD, NWFP.

(7) Mr. A.H. Subhani, SE, Pak. PWD, Peshawar.

(8) Professor Rashid Ahmed, Secretary Education, NWFP.

(9) Mr. Saeedullah Jan, Secretary Finance (NWFP).

(10) Mr. Abdul Majid Mohmand, Secretary (C&W) NWFP.

(11) Mr. Gauhar Rahman Abbasi, Director Education, FATA.

(12) Mr. Arshad Farid, Chairman, FATA (DC).

1079. This Division controlled the following Grant :—

Sl. No.	Name of Grant	Grant No.
1	2	3
	1983-84	
1.	States and Frontier Regions Division	114
2.	Frontier Regions	115
3.	Frontier Constabulary	116
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1080. *Grant No.* 114—*States and Frontier Regions Division* (*Page* 931-*AA*).—The Grant closed with an excess of Rs. 277,866 which was attributed towards payment of advance salary on Eid in June, 1984. The Committee recommended the Excess for regularisation through Excess Budget Statement.

1081. *Grant No.* 115—*Frontier Regions* (*Page* 933-*AA*).—There was an excess of Rs. 25,733,142 under this grant which was due to revision of pay scales and payment of advance salary on Eid. The Committee recommended the Excess for regularisation through Excess Budget Statement.

1082. *Grant No.* 116—*Frontier Constabulary* (*Page* 935-*AA*).—The excess of Rs. 32,472,983 under this Grant was stated to be due to payment of advance salary on Eid and revision of pay scales. The excess was recommended by the Committee for regularisation through Excess Budget Statement.

1083. *Grant No.* 117—*Federally Administered Tribal Areas* (*Page* 938-*AA*).—This Grant closed with an excess of Rs. 10,802,773 which was 8 per cent of the Final Grant. The Department reported to the Committee that this was mainly due to payment of advance salary on Eid and revision of pay scales. Audit, however, pointed out that against a Budget Provision of Rs. 3,789.000 under 500—Commodities and Services there was an expenditure of Rs. 10,649,883 which contributed an amount of Rs. 6,860,883 towards this excess. This was stated to be due to booking of Rs. 7,272,078 for which there was no provision in the budget.

1084. A Member pointed out that this was an expenditure on new service and could not be recommended by the Committee. This was incurred in violation of all rules on the subject. The Department reported that Finance will be consulted on the subject. The point had been noted for future guidance. The Chairman P.A.C. observed that the matter must be sorted out by tomorrow. A representative of Justice Division, Finance Division and Audit must meet to sort out the matter. The examination was deferred.

1085. *Grant No.* 118—*Other Expenditure of Federally Administered Tribal Areas* (*Page* 940-*AA*).—There was again an excess of Rs. 57,771,890 under this Grant. The Department explained that excess was due to introduction of Revised pay scales and payment of advance salary on Eid. Audit pointed out that the excess under the Head, pay of the staff was nearly double the grant, whereas only one months pay was paid as advance and Revision of scales was also not double. Thus it was not correct to say that the total excess was due to revision of pay scales. The Committee observed that there was some thing wrong either with the explanation given, or actual figures of expenditure. Audit should verify the factual position.

1086. *Grant No.* 119—*Maintenance Allowance to Ex-Rulers* (*Page* 951-*AA*).—The Committee recommended the Excess which was nominal for regularisation.

1087. *Grant No.* 120—*Other Expenditure of States and Frontier Regions Division* (*Page* 952-*AA*).—This Grant closed with a saving of Rs. 2,172 which was nominal. The Committee did not make any observation.

1088. *Grant No.* 121—*Afghan Refugees* (*Page* 954-*AA*).—This Grant closed with a saving of Rs. 312,795,584. The Department explained that saving was due to non-payment of Maintenance Allowance to Afghan Refugees and also there was some difference in Audit figures of Actual Expenditure as compared to those booked by the Department. The Committee accepted the explanation of Department.

1089. *Grant No. 162—Development Expenditure of States and Frontier Regions Division (Page 974-AA)*.—There was a saving of Rs. 1,652,250 under this Grant, which was stated to be due to non-release of the amount by Finance Department. The Committtee accepted the explanation.

1090. *Grant No. 163—Development Expenditure of Federally Administered Tribal Areas (Page 986-AA)*.—There was a saving of Rs. 30,702,289 under this grant which was 7 per cent of the Final Grant. The Committee did not make any observation.

1091. *Grant No. 187—Capital Outlay on Development of Tribal Areas (Page 986-AA)*.—The saving of Rs. 5,333,000 was within permissible limit, the Committee did not make any observation.

APPROPRIATION ACCOUNTS—1984-85

1092. *Grant No. 116—States and Frontier Regions Division (Page 928-AA)*.—There was a saving of Rs. 769,175 under this Grant. The Department reported to the Committee that the amount was surrendered for time. The Committee did not make any observation.

1093. *Grant No. 117—Frontier Regions (Page 932-AA)*.—There was a saving of Rs. 7,752,669. It was reported by the Department that the excess was mainly due to drawal of advance pay on Eid. The Committee accepted the explanation and recommended the excess for regularisation through Excess Budget Statement.

1094. *Grant No. 118—Frontier Constabulary (Page 936-AA)*.—This Grant closed with a saving of Rs. 2,527,454. The saving being nominal that is 1 per cent of the Final Grant, the Committee did not make any observation.

1095. *Grant No. 119—Federally Administered Tribal Areas (Page 940-AA)*.—The Grant closed with an excess of Rs. 12,916,388. The Department reported to the Committee that the expenditure against this grant was made in Federally Administered Tribal Areas and was due to operation of suspense account for which there was no Budget Provision. The Committee recommended the excess for regularisation through Excess Budget Statement.

1096. *Grant No. 120—Other Expenditure of Federally Administered Tribal Areas (Page 944-AA)*.—There was an excess of Rs. 27,292,174 under this Grant. The main excess of Rs. 15,920,299 was on construction of works. The Department reported to the Committee that an expenditure of Rs. 31,946,299 was booked by Audit against actual expenditure of Rs. 16,026,000. The remaining excess was also due to wrong booking of expenditure and payment of advance salary on Eid. The Committee directed that the figures should be reconciled with Audit in time and the excess was, however, recommended for regularisation through Excess Budget Statement.

1097. *Grant No.* 121—*Maintenance Allowances to* Ex-*Rules* (*Page* 958-*AA*).—There was a saving of Rs. 222,144 under this Grant which was surrendered in time. The Committee did not make any observation.

1098. *Grant No.* 122—*Other Expenditure of States and Frontier Regions Division* (*Page* 962-*AA*).—There was a nominal saving of Rs. 9,323. The Committee did not make any observation.

1099. *Grant No.* 123—*Afghan Refugees* (*Page* 964-*AA*).—There was a saving of Rs. 50,167,867 under this Grant which was 6 per cent of the Final Grant. The Department explained that a sum of Rs. 26 million was surrendered and the remaining amount of Rs. 23,272,338 was saved as the Maintenance Allowance in Baluchistan could not be paid to Afghan Refugees. The Committee accepted the explanation.

1100. *Grant No.* 167—*Development Expenditure of States and Frontier Regions Division* (*Page* 986-*AA*).—This Grant closed with a saving of Rs. 1,042,000 which was 3 per cent of the Final Grant. The Committee did not make any observation, the saving being within permissible limit.

1101. *Grant No.* 168—*Development Expenditure of Federally Administered Tribal Areas* (*Page* 988-*AA*).—According to the Appropriation Accounts there was an excess of Rs. 9,753,975. The Department explained that the figures of expenditure shown by Audit were not correct and according to the Departmental figures, there was a saving of Rs. 19,669,098 which was within permissible limit. The Committee directed that the Figures of expenditure should be reconciled in time and recommended the excess for regularisation, if any.

1102. *Grant No.* 192—*Capital Outlay on Development of Tribal Areas* (*Page* 992-*AA*).—There was no variation under this Grant.

AUDIT REPORT—1983-84

1103. *Non-clearance of Advance Payment of Rs.* 2,835,300 (*Para* 1 (*ii*), *page* 115-*AR*).—According to Audit a Consignment was lost due to sinking of vessel. An amount of Rs. 1,016,000 was kept in suspense misc, P.W. Advance. Loss had not been retrieved from insurance company despite lapse of 7 years. Besides, advance payment of Rs. 1,819,300 made to other Division during 1978—83 for procurement of stores, remained outstanding as no supplies were received by end of 1984. The Department reported to the Committee that a proposed claim was lodged with insurance company and case, at the present, was in Karachi High Court. The recovery of other amount was also in progress. The Committee settled the paragraph subject to verification of recovery|write off, as the case be, by Audit.

1104. *Fictitious Utilization of Allotment* [*Para* 1(*v*), *page* 115-*AR*].—As per Audit, a Divisional Officer paid a sum of Rs. 500,000 on account of supply of Bitumen to another Divisional Officer in June, 1983. Neither the demand for material was placed nor the material was received. Thus it was a fictitious payment made to avoid lapse of fund. The Department informed the Committee that the amount was taken back in 10/84 as the Division concerned could not supply the material. The Committee directed that the Department should be careful in future. The paragraph was settled.

1105. *Wasteful Expenditure of Rs.* 320,438 [*Para* 4(*i*), *page* 117-AR].—Audit pointed out that Material Testing Laboratory, Peshawar declared below specification the work of compaction of sub-base and stone metal during June, 1982 but the firm was allowed payment of Rs. 165,990 after imposing 5 per cent cut on rate for low compaction. The firm was also allowed payment of Rs. 154,440 for treatment of three coats of hot surfacing already declared below specification by Laboratory. Both the payments were made on 29th June, 1982. The Department informed the Committee that the results of laboratory tests were challenged by Engineer Incharge of the work and as such revised samples were sent to laboratory, which declared these as according to specification. Audit, however, held that re-examination was done in 8|86, whereas payment was released in 6/86. The Committee directed that the Principal Accounting Officer should hold an inquiry and submit a report as to have a work declared below specification subsequently declared according to specification resulting into loss to the exchequer for Rs. 320,438 to PAC within one month.

1106. *Loss of Rs.* 103,000 *due to non-observance of Financial Rules* (*Para* 5, *page* 117-*AR*).—According to Audit one Diesel Road Roller was purchased for Rs. 375,000 without open tendering in November 1982. Same Road Roller was purchased by the Chief Engineer for Rs. 272,000 by inviting open tenders in October, 1982. Thus Government sustained a loss of Rs. 103,000. Besides Rs. 140,000 were paid to a firm in advance against budget provision of Rs. 136,870 without execution of proper agreement and obtaining security and Rs. 3,130 charged to misc. P.W. Advances which were irregular. The Department reported that a Road Roller was purchased in emergency as such tenders were not called. There is always a difference in single Supply and Bulk Supply. The Committee was not satisfied with the explanation and directed that an inquiry should be held in this case. The responsibility may be fixed for irregularity and report submitted to the P.A.C.

1107. *Irregular retention of Public Money in Commercial Bank* [*Para* 7 (*ii*), *page* 118-*AR*].—Audit pointed out that Rs. 583,563 were drawn and deposited in a private current account irregularly during 1977-78 to 1981-82. Rs. 556,258 were drawn and paid to Naib Tehsildar for disbursement and record of disbursement was not produced to Audit. Remaining amount of Rs. 27,305 was kept Amanat Account in June, 1983 which needed to be refunded to Government Treasury. The Department reported that the money drawn was paid. It was kept only for two weeks. As far as an amount of Rs. 27,305, it was kept in Habib Bank Limited; as there was no treasury or Branch of National Bank of Pakistan. Where abouts of this amount were being traced out. The Committee directed that documents regarding deposit and withdrawal of Rs. 27,305 may be produced before Audit. Subject to verification, of recovery and regularisation action, by Audit, the paragraph was settled.

1108. *Non-accountal of Transaction* [*Para* 7 (*iii*), *page* 118-*AR*].—Audit reported to the Committee that an amount of Rs. 57,595 recovered from C&W Department on account of Tribal Commission were remitted to Political Agent through a cheque in January, 1981 and were not accounted for in the cash book. The Department explained that it had been paid and Audit could verify the record. The Committee settled the paragraph subject to verification by Audit.

1109. *Injudicious purchases of Rs.* 42,000 [*Para* 8 (*i*), *page* 119-*AR*].—According to Audit Report, lowest offer of Rs. 78,000 for Refrigerator with preservation capacity of 100 blood bags was turned down and the refrigerator with 105 bags capacity was purchased for Rs. 120,000, causing excess expenditure of Rs. 42,000 for an extra capacity of 5 bags. The Department explained that the sanction of competent authority was obtained for payment. The Committee accepted the explanation and settled the paragraph.

1110. *Political Agent, Mohmand Refugees Accounts for* 1980-81 [*Para* 9 (*ii*), *page* 120-*AR*].—As per Audit, Maintenance Allowance of Rs. 1.4 million received from Commissioner in 1980 could not be disbursed and had to be refunded to Government. Undisbursed amount was irregularly kept in Commercial Bank. The Department explained that since there was no treasury, the amount was kept in Commercial Bank for safe custody. The Committee directed that money should not be kept in Commercial bank in future. The paragraph was dropped.

1111. *Loss of Rs.* 30,144 [*Para* 9 (*iii*), *page* 120-*AR*].—Audit pointed out that Rs. 30,144 were paid to Refugee Village Administrator for purchase of Fire Wood for Refugees. The Accounts of purchase and issue were not found on record. The Department reported that Accounts for part of purchases were not kept. A case was registered against the Officials but was dropped for want of proof. The services of those responsible were terminated. The Committee settled the paragraph.

1112. *Mis-appropriation of Food items* [*Para* 9 (*iv*), *page* 120-*AR*].—According to Audit Report, 21,031 kgs. of edible Oil, 16 Tons of Sugar and 15,400 kgs. of DSM was received from Commissioner in early 1981. No record of stock inventories and distribution was available. Case was registered with FIA but progress was not known. The Department reported that the case was under investigation with FIA since last three years. A Judicial action had been suggested. The Committee directed that the Department should get a report from FIA and pass on to PAC within 15 days.

1113. *Mis-appropriation of Relief goods* [*Para* 9 (*v*), *page* 120-*AR*].—Audit pointed out that 30 bundles and 163 cartons of old and mixed clothing, bed sheets, new and old cloths, 34 thans and 303 guilts were received from Commissioner during 1981. Neither items were taken on stock nor any distribution record was available. The Department informed that the relevant records were with FIA; as such verification of records was not possible. The Committee directed that the report of FIA alongwith records should be obtained from FIA and supplied to PAC within 15 days.

1114. *Un-economical execution of works valuing Rs.* 659,377 (*Para* 10, *page* 120-*AR*).—As per Audit Report Rs. 659,377 were spent on internal electric and sanitary fitting in five institutions of Health and Education Departments during March—June, 1983. Open tenders were not invited which deprived Government of the benefits of competition. The Department intimated that open tenders were called in this case, but not through press to avoid un-necessary expenditure on Advertisement. The Committee directed that Department should be careful in observing the procedure laid down in the rules. The paragraph was settled.

1115. *Irregular Award of Contract resulting overpayment of Rs.* 271,100 [*Para* 11 (*i*), *page* 121-*AR*].—According to Audit, work of construction of side Drains in Kuz-Chamarkand to Nawa Pass Road was awarded to a firm on single quotation basis in August, 1982. Excavation of rock requiring blasting and not requiring blasting were awarded at Rates of Rs. 5,000 and Rs. 3,500 per 1,000 cft. respectively against approved rates of Rs. 750 and 500 by Finance Department in another agreement having same specification of work. Hence firm was overpaid Rs. 271,100. The Department explained that in tribal areas the rates were recommended by Advisory Committee and approved by CE, on the recommendation of the Committee. Moreover the works of cutting of Drains in hill area involved help of chisels and hammers, and as such was much difficult. Thus higher rates were justified. The Committee was not satisfied with the explanation and directed that the facts should be verified by Audit. The paragraph was deferred.

1116. *Loss of Rs.* 34,700 *due to application of lesser rates* [*Para* 11 (*ii*), *page* 121-*AR*].—As per Audit Report, in March 1983 recovery of cost of stores from 4 nominated contractors was made at lesser rates than those approved by

Rate Advisory Committee regulating payments and recoveries in case of nominated contractors. Thus Government sustained loss of Rs. 34,700. The Department intimated that rates as provided in the contract were correctly recovered. The rates were subsequently revised, which were not applicable to contracts already executed. The action of the Department was according to codal rules. The Committee settled the paragraph.

1117. *Un-authorised expenditure of Rs.* 41,300 *out of Refugees Maintenance Allowance* [*Para* 13 (*i*), *page* 122-*AR*].—Audit pointed out that Rs. 41,300 were spent by Administrator on repairs of five vehicles and TA|DA of 2 Drivers during 1982-83 out of maintenance allowance of Refugees which was irregular. The Department explained that the money was obtained as advance from Maintenance Allowance and subsequently recouped. The Committee settled the paragraph.

1118. *Non-deposit of cost of empty tea chests valuing Rs.* 24,640 (*Para* 15, *page* 123-*AR*).—According to Audit Report, 98,560 K.G. tea packed in 2,464 chests was distributed among Afghan Refugees. The Tea Chests were not accounted for and cost of Tea chests @ Rs. 10 per chest were also not recovered. The Department reported that tea was issued to Afghan Refugees alongwith Tea Chests as such question of recovery does not arise. The paragraph was settled by PAC.

1119. PAC observed in the end that Auditor-General should carry out a detailed survey and prepare performance audit Reports of FATA Projects through special audit teams. The audit should be conducted with special reference to public works.

COMMERCIAL ACCOUNTS 1983-84

1120. *FATA Development Corporation* (*Paras* 3 *and* 4, *pages* 12 *and* 16-*ARCA*).—According to Audit, the Accounts of FATA Development Corporation (H.O.) Kurram Fruit Products and South Waziristan Tanneries for the year 1983-84, were not compiled by the Department. The Department reported to the Committee that the Accounts for 1983-84 and also for 1984-85 had since been submitted to Audit. The compilation of these accounts was not delayed. The delay took place in Audit by the Auditors. The Auditor-General pointed out that Auditors (Commercial) should not delay it, as they were paid for the jobs. The Internal Audit Reports were also not supplied to Audit by the Department, as such evaluation of Internal Audit could not be done. The Committee directed that the statement of Accounts must be compiled within due dates. Internal Audit Reports should invariably be supplied to Audit.

1121. *Non-reconciliation* (*Para* 432, *page* 247-*ARCA*).—Audit pointed out that an expenditure of Rs. 10 Million incurred by Provincial Government on Development Scheme before transfer to FATA Development Corporation in 1970-71 had not so far been reconciled with A.G., N.W.F.P., Peshawar. The Department explained that the expenditure under observation was incurred by the Irrigation Department of N.W.F.P., which was under Audit control of A.G., Peshawar. There appears to be no reconciliation outstanding. The paragraph was settled by the Committee.

1122. *Non-production of Internal Audit Report* 1982-83 (*Para* 434, *page* 248-*ARCA*).—Audit pointed out that Internal Audit Reports were not supplied to Audit for Evaluation. The Committee directed that directives under Paras 3 and 4 above apply to this Para as well.

1123. *Working results of South Waziristan Foot Wear and Leather Goods Industries* (*Para* 436, *page* 249-*ARCA*).—Audit pointed out that the ratio of Gross Loss increased to 4.3 per cent as compared to 1.26 per cent during 1982-83. The management should take corrective measures. The continued losses result in erosion of equity. The Department explained that the Industrial Units started closing and last unit was closed in 1985. The primary purpose was socio-economical and not commercial. It was subsequently decided either to lease it out or to make it a joint venture Proposals were advertised in Newspapers many a times, lastly in 10|1986. No. industrialist did show any interest. Presently there were two offers for lease and one for sale. ECNEC had already decided to get out of this project. A Summary was being prepared for ECC. The Committee directed to go ahead with the proposals in hand quickly and a final decision may be taken within two months. If no decision is taken within two months, PAC will recommend liquidation of all these factories.

1124. (*Paras* 437 *and* 440, *page* 249-*ARCA*).—The directives of Committee against Para 436 above apply to these Paras as well.

1125. *Tochi Valley Match Factory* (*Paras* 444 *and* 445, *page* 250-*ARCA*).—The Committee directed that the final position may be reported to Audit.

1126. *Tochi Wollen Mills* (*Paras* 449 *and* 450, *page* 251-*ARCA*).—The Committee directed that final position may be reported to Audit.

AUDIT REPORT—1984-85

1127. *Loss of Rs.* 635,450 *due to purchase of Oil Stoves at Higher Rates* (*Para* 6, *page* 114-*AR*).—Audit pointed out that 17,900 Rehbar Stoves and 17,900 Presto Stoves were purchased at rate of Rs. 49.50 and Rs. 50 per Stove respectively by Political Agent, Kurram in November, 1981. District Administrator, Afghan Refugees, Kohat bought the same at a rate of Rs. 26.50 per Stove during the same year. After allowing 20 per cent margin for octroi and freight charges, an amount of Rs. 635,450 were extra spent. The Department explained that the purchases were made after calling open tenders. The rate as prevailing in Parachinar could not be compared with rates at Kohat. There being a distance of 120 miles, octroi and other factors also effected the prices. The Committee accepted the explanation and settled the paragraph.

1128. *Irregular Deposit of Rs. 597,600 on account of Allowances payable to tribes* [*Para* 7 (*i*), *page* 115-*AR*].—Audit pointed out that Political Agent, Bajaur drew Rs. 597,600 on account of allowances payable to tribes in February, 1984 and deposited in a Bank which was against Government Orders. Rs. 527,600 were subsequently distributed and balance amount of Rs. 70,000 was credited to PLA in June, 1984 which was also irregular. The Department informed the Committee that a small un-disbursed amount remained in Bank for a short period due to special conditions prevailing in tribal area. The Committee directed that the Department should be careful and that the money should not be kept in Commercial Bank in future and dropped the paragraph.

1129. *Loss due to non-receipt of Cement from Cement Factories Rs. 588,029* (*Para* 8, *page* 115-*AR*).—According to Audit Report, C&W (Dev.) Division, Bajaur advanced Rs. 588,029 to Cement Factories for Cement Supplies during 1976-77. Neither Cement was received nor money refunded till 1985 resulting in blockade of funds and loss of interest to Government. The Department reported to the Committee that an amount of Rs. 278,880 had since been recovered, and efforts were being made to recover the remaining amount. It was admitted that the case was not followed properly. The Committee deferred consideration of the para and directed that case for recovery may be processed early and PAC informed.

1130. *Non-rendering of Accounts Rs.* 505,706 (*Para* 9, *page* 115-*AR*).—As per Audit, detailed Accounts of receipt and disbursement of an amount of Rs. 505,706 to Refugees by Political Agent Bajaur were not maintained. The Department explained that these payments were made strictly according to the instructions of Governor's Inspection Team at that time Payments were made without proper receipts due to secrecy. Revised instructions were now being followed. The Committee accepted the explanation and settled the paragraph subject to verification by Audit.

1131. *Shortages of Miscellaneous Articles valuing Rs.* 248,500 (*Para* 11, *page* 116-*AR*).—As per Audit, Tarpaulines, Ground sheets and guilts valuing Rs. 248,500 were found missing in the Agency Administrator Afghan Refugees

Bajaur during 1983-84 and nothing was done to recover the amount. The Department explained that the services of the officials found responsible had since been terminated and a suit had also been filed in a Court of Law The Committee deferred consideration of the paras.

1132. *Blockade of Capital Rs.* 234,900 (*Para* 12, *page* 117-*AR*).—According to Audit, an X-Ray plant was purchased for Rs. 234,900 for Agency Surgeon Khyber at Landikotal in May, 1980. It was installed in 1982 and started operating in 1984. Thus plant remained idle for 4 years due to poor planning. The Department explained that the delay was due to non-availability of electricity of required voltage in the area. The Committee desired that reasons for repairs to New Plant may be investigated. The consideration of paragraph was deferred.

1133. *Loss of Rs.* 173,402 *due to purchases of School Equipments at higher rates* (*Para* 13, *page* 117-*AR*).—Audit pointed out that A.C. Afghan Refugees education cell Kohat, Miran Shah and Bajaur purchased school equipments and uniforms in 1981 at much higher rates than purchases made by Additional Commissioner Peshawar of similar items. Had purchases been made centrally, Rs. 173,402 could have been saved. The Department explained that Audit had banked on market rates prevailing in different localities whereas rates paid were tendered rates and were paid after observing all formalities. The paragraph was settled.

1134. *Shortage of Relief Goods worth Rs.* 148,745 (*Para* 14, *page* 117-*AR*).—According to Audit, Relief goods valuing Rs. 148,745 were found short in the main Godown of District Administrator Afghan Refugees, Mardan in May, 1984. Court had acquitted the accused and Department intended to appeal. The Department reported the Committee that the case was still in High Court. The paragraph was deferred.

1135. *Irregular and un-economical purchase of Jeeps Rs.* 132,622 (*Para* 15, *pages* 117 *and* 118-*AR*) —Audit pointed out that a Jeep was purchased for Rs. 132,622 without sanction and was charged to two works where there was no provision. Department's reply that purchase was in the best interest of State, was not accepted by Audit. The Department explained that Jeep was purchased on Government Controlled Rates as such tenders were not required and also technical sanction was obtained. The Committee was not satisfied with the explanation and directed that in future such purchases should not be made

1136. *Irregular and Un-economical purchases of Rs.* 111,795 [*Para* 16 (*ii*), *page* 118-*AR*].– Audit pointed out that Furniture and Office Equipment valuing Rs. 111,795 was purchased with-out proper authority and without calling for tenders, which was irregular and uneconomical. The Department explained that articles costing Rs. 92,095 and not Rs. 111,795 were purchased for newly formed office and *ex-post-facto* sanction was obtained and copy supplied to Audit. The Committee was not fully satisfied with the explanation and directed that all formalities regarding open tendering must be observed in the matters of purchases in future.

1137. *Wasteful Expenditure of over Rs.* 50,000 (*Para* 18, *page* 118-*AR*).—As per Audit Report, a post of Cleaner was sanctioned for a vehicle used as Mobile Dispensary. A fellow was appointed cleaner in February 1976 when the vehicle had been disposed of. When regular driver was doing government duty elsewhere, Cleaner was promoted as driver and another fellow was appointed as Cleaner in 1984. The Cleaner and driver were thus paid for 9 and 2 years respectively without performing any duty and Rs. 50,000 had been incurred irregularly. The Department explained that the post of Cleaner was sanctioned on year to year basis and was not abolished as such the payment made was not irregular. The Committee observed, that he should have been transferred elsewhere if there was no works. The paragraph was, however, settled subject to verification by Audit that the cleaner had been assigned some work.

1138. *Issue of Store in Excess of Requirement Rs.* 47,740 (*Para* 19, *page* 119-*AR*).—Audit held that Stores of Rs. 47,740 were debited to a work in June 1984 and withdrawn in August, 1984 in C&W (Dev.) Division Jamrud. Adjustment shows that stores were not required for the work. The Deptt. reported that stores were issued to various works in accordance with the provision in their contracts. Only balance of unused stores were taken back. There was no loss to Government. The Committee settled the paragraph with the directive that this thing will not be tolerated in the accounts of 1985-86.

1139. *Wasteful Expenditure of Rs.* 35,084 (*Para* 23, *page* 120-*AR*).—As per Audit Report, 3 Rest Houses were furnished by Frontier Constabulary Tank which remained unutilized during last two years. Furniture was shifted to the residence of an Officer. Unnecessary purchase resulted in a loss of Rs. 35,084 to Public Exchequer. The Department explained that the furniture was kept in the residence of the officer for safe custody pending its shifting to the Posts, which had since been shifted to the Posts for which it was meant. The Committee observed that furniture should be properly accounted for. The paragraph was settled subject to verification by Audit.

1140. *Un-authorised disbursement of Maintenance Allowance Rs.* 22,410 (*Para* 25, *page* 120-*AR*).—Audit pointed out that an amount of Rs. 22,410 was paid during 1983-84 to un-registered Refugees by Agency Administration Afghan Refugees Mohmand Agency which was not regular. The Department reported that payment was made to the heirs of the Refugees who proceeded on 'Jehad'. Nothing could be done in such circumstances. The Committee settled the paragraph subject to verification by Audit.

1141. *Irregular appointment of an Office Assistant* (*Para* 26, *page* 121-*AR*).—Audit pointed out that a Non-Matriculate retired Subedar was appointed as Assistant in BPS-11 in the Office of District Administrator Afghan Refugees Chitral from 1st April, 1983. He had been paid Rs. 14,600 on account of pay and allowance during 1983. Appointment was irregular as he did not possess prescribed academic qualification. The Department explained that the official was an *ex-servicemen* and employed against 40 per cent quota. He was holding Grade post in Army and was employed in Grade-11 and thus there was nothing irregular The Committee accepted the explanation and settled the paragraph.

1142. *Fictitious Payment of Rs.* 8,000 (*Para* 28, *page* 121-*AR*).—According to Audit, an advance payment of Rs. 8,000 was made in June, 1977 to a contractor, which could not be recovered|adjusted in last nine years. The Department reported to the Committee that the work was abandoned and as such no recovery could be made. This was being recovered through Civil Authorities. The Committee directed that final action in the matter may be got verified by Audit. The paragraph was settled.

1143. *Irregular opening of Private Bank Account* (*Para* 31, *page* 122-*AR*).—As per Audit Report, Agency Administrator Afghan Refugees Mohmand opened a private Bank Account in January, 1981 which was irregular. Receipts and withdrawals were being routed through this account but no Pass Book and other record for reconciliation had been maintained. The Committee directed the Department to be careful in future. The paragraph was settled.

1144. *Opening of Un-authorised Private Bank Accounts* (*Para* 32, *page* 122-*AR*).—Audit reported that un-authorised Bank Accounts were opened in Miran Shah for payment to Afghan Refugees, which was irregular. The Department explained that the process adopted was inevitable. The Committee settled the paragraph.

COMMERCIAL ACCOUNT—1984-85

FATA Development Corporation [*Paras* 3 (62) *and* 71 (18)-*ARCA*].

FATA Kurram Fruit Products (*Paras* 663 *and* 664-*ARCA*).

Tochi Valley Match Factory (*Paras* 667 *and* 668-*ARCA*).

Tochi Woollen Mills (*Para* 671-*ARCA*).

1145. The Committee observed that directive of the PAC on the accounts of above Organisations for the year 1983-84 would hold good in the case of these paragraphs also.

1146. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts, Commercial Accounts and Audit Report thereon. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

1147. The Committee then adjourned to meet again at 9.00 a.m. on 22nd July, 1987.

K. M. CHIMA,
Secretary.

Islamabad, the 6th January, 1988.

PCPPK—Litho/