

Chapter-9 Ministry of Industries and Production

9.1 Export Processing Zones Authority

9.1.1 Introduction

The Export Processing Zones Authority (hereinafter referred to as “EPZA / the Authority”) was established by the Government of Pakistan on Feb 06, 1980 through Export Processing Zones Authority Ordinance, 1980. The main objective of the Authority is to plan, develop, manage and operate Export Processing Zones (EPZ) in Pakistan in order to invite / help foreign investors.

9.1.2 Comments on Audited Accounts

9.1.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts.

9.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2000-01	1	-	1	194	-
2006-07	1	-	1	Annex-I Item-8	-
2010-11	8	4	4	11.1.4.1, 11.1.4.2, 11.1.4.3& 11.1.4.5	50
Total	10	4	6	-	40%

The overall compliance of PAC directives needs improvement.

9.1.4 Audit Paras

9.1.4.1 *Non-recovery of annual ground rent and other charges from industries - US\$ 256,272 (Equivalent to Rs. 28.702 million)*

Rule-5 of Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18 it was observed that an amount of US\$ 256,272 was outstanding against investors on account of annual ground rent, electricity and water charges which caused blockage of funds. The detail is as under:

Sr. No.	Head of account	Amount in US\$
1.	Annual Ground Rent	229,375.92
2.	Electricity charges	22,849
3.	Water charges	4,047.33
Total		256,272.25

Audit is of the view that the management was unable to recover above expenses from various investors, which shows negligence and inefficiency on the part of management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that an amount of US\$ 34,000 recovered and remaining cases were lying pending in the courts. DAC directed the management to pursue the case on priority and further directed that the recovered amount be got verified by Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.2 Irregular deposit of funds without Board's approval - Rs.1,146 million (US\$.8.269 million)

As per Finance Division OM.No.F.4 (1)2002-BR II dated July 02, 2003 the process of selection of banks should be transparent, therefore, prior to placing deposits with a bank, where working balance exceeds Rs.10 million, the selection of banks as well as terms of deposits will be approved by the Board of Director/governing body on the basis of competitive bids from at least 3 independent banks.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that the management placed funds of US\$ 8.269 million (equivalent to Rs.1,146 million) in foreign currency account in various banks without the approval of BoD (Annex-33).

Audit is of the view that as per above mentioned rule, the management was required to obtain Board of Director's approval before placing the funds into banks. However, the requisite approval of the Board was not obtained, thus violating the above rule and need to be justified.

The matter was reported to the management in October 2018. DAC meeting was held on January 07 & 08 2019. The management informed that the Board of Directors of EPZA has delegated the powers to the Chairman EPZA in order to run the affair of the Authority under Rule 12(1) of EPZA Ordinance IV of 1980, in its first meeting held on July 20, 1980, therefore, Board's approval was not required. DAC directed the management to place the matter in BOD for ex-post facto approval and further directed to constitute an investment committee comprising members from Board. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.3 Irregular revision of pay - Rs.52.00 million

According to GoP O.M.No.F.4.(3) R-4/2011 dated August 04, 2017, the revision of pay scale and grant of Adhoc Relieve Allowance 2017 shall also be admissible to the employees of those Autonomous /Semi-Autonomous Bodies and Corporations which have adopted different pay-scale/Allowances with the concurrence of standing committee of Finance Division on recommendation of their respective Board of Directors. It is also clarified that the Autonomous /Semi-Autonomous Bodies and Corporations will forward the cases of Executive/Supervisory Staff with the recommendation of their respective Board of Directors for concurrence of Finance Division to the revision of pay scale and grant of Adhoc Relief Allowance 2017.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that the management allowed Adhoc Relief Allowance, 2017 to its employees after gating the approval from its BoD (Annex-34). The Board accorded ex-Post facto approval in its 120th meeting held on June 06, 2018 subject to clearance from Ministry of Finance. However, concurrence of Finance Division had not been obtained so far.

Audit is of the view that undue favour was extended to the Employees at company cost.

The matter was reported to the management in October 2018. DAC meeting was held on January 07 & 08 2019. The management informed that undertaking was signed by the all officers and case of Revision of Pay has already been forwarded to Finance Division through MOI&P. DAC decided to expedite the case and concurrence of the Finance Division be obtained under intimation to Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.4 Irregular appointment of Daily wages Employees - Rs.8.486 million

As per Establishment Division OM No. 06/02/2000, the appointment on contract basis in Autonomous/Semi- Autonomous bodies, Corporation, Public Sector Companies etc can be through open advertisement in the leading and regional newspapers indicating prescribed academic and professional qualification, experience, age provincial/regional quotas etc. Selection should be made through regularly constituted Selection Committees/Board.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that management appointed sweepers, watchman and security guards at the lump-sum salary of 15,000 per month for each employee. However, these employees were appointed without observing codal formalities and in violation of above rules, resultantly the payment of Rs.8.486 million was irregular. The detail is as under:

Category of employees	Number of employees	Total salary paid during the year (Rs.)
TOC watchmen	39	6,008,128
Sweepers (D/W)	09	1,746,819
Security Guards (D/W)	05	731,404
Total		8,486,351

Audit is of the view that undue favour was extended to the employees as appointment was made irregularly which indicates weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that Rs.6 million were recovered out of Rs.8.486 million. DAC directed the management to recover the remaining amount and further directed to avoid cash payment in future and take action against the persons at fault who made such irregular appointment. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.5 Loss due to un-accounted for units of Electricity - Rs.33.287 million

Rule.5 of Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that the management purchased electricity from K-Electric in bulk. The Electricity was further distributed to industries situated at EPZA. However 2,030,956 units valuing Rs.33.287 million remained unaccounted for. This resulted into loss of Rs.33.287 million. The detail is as under:

Unit purchased	Cost of electricity	Per unit cost (col.2/1)	Unit consumed	Lost Units	Loss of electricity (col.3 x 5)
(1)	(2)	(3)	(4)	(5)	(6)
(Nos.)	(Rs.)	(Rs.)	(Nos.)	(Nos.)	(Rs.)
53,527,051	877,181,358	16.39	51,496,095	2,030,956	33,287,369

Audit is of the view that due to negligence of the management authority sustained loss which indicates weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that EPZA purchased Electricity from KESC in bulk and distributed among the investors. The percentage of losses 3.79% was nominal. DAC directed to minimize the losses in future and recover the loss. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.6 Loss due to un-accounted for gallons of water - Rs.11.861 million

Rule.5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that the management purchased water from KW&SB in bulk. This water was further distributed to industries situated at EPZA. The authority raised bills to the industries on the basis of readings obtained from respective meters. Thus, during review of record it was noticed that 49,015,538 gallons of water valuing Rs.11.862 million were not account for, which caused loss the authority. The detail is as under:

Gallons purchased Rs.	Cost of Gallon Rs.	Per 1000 gallon cost (col.2/1)	Gallons consumed	Lost gallons	Loss of gallons (col.3 x 5) Rs.
(1)	(2)	(3)	(4)	(5)	(6)
228,730,700	55,352,917	.0.242	179,715,162	49,015,538	11,861,760

It is evident from the above position that the management purchased 228,730,700 gallons from KW&SB whereas, bills charged from the industrials of 179,715,162 gallons.

Audit is of the view that due to negligence of the management authority sustained loss which indicates weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that notices have already been issued to all the investors to replace the meter immediately and the same also be got verified from KW&SB. DAC directed the management to conduct an internal inquiry regarding delay in replacing the

defective meters and recover the dues within 15 days and get it verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.7 Loss due to imprudent investment - Rs.2.830 million

As per Finance Division OM No.F.4 (1)2002-BRII dated July 02, 2003 the process of selection of banks should be transparent, therefore, prior to placing deposits with a bank, where working balance exceeds Rs.10 million, the selection of banks as well as terms of deposits will be approved by the board of director/governing body on the basis of competitive bids from at least 3 independent banks.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18 it was observed that the management invested huge funds in local and foreign currency in different banks working at zone premises for the period of one year. However, instead of the deposits to highest bidders, the investments were split among the banks. The Allied Bank of Pakistan in the first case, United Bank of Pakistan in the second, Silk bank in the third and fourth case, quoted highest rates. However, management split the investment amount among all the banks which caused loss to the authority for Rs.2.830 million (Annex-35).

Audit is of the view that undue favour was extended to the Banks and authority was deprived from the benefits of higher rates.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that EPZA does not invest whole amount of fund in one bank to diversify the risk. DAC directed the management that whole process of this approval of minutes and investment be got verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.8 Non-verification of degrees/certificate of the employees

Rule-5 of Public Sector Companies (Corporate Governance) Rules,2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that more than 500 employees are working in EPZA on permanent and contract basis, but the degree of these employees were not verified from the institutions/ Universities.

Audit is of the view that non-verification of degrees/certificates shows negligence of the management and indicates weak internal controls prevailing in the organization.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08, 2019. The management informed that 58 employees' degrees were not verified and only 02 foreign employees' degrees and 06 local employees' degrees were declared fake by HEC. DAC directed the management to give list of verified degrees to Audit for verification, and remaining degrees be verified within 15 days otherwise action be taken against the concerned fake degree holders under intimation to audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.9 Non-segregation of properties in books of accounts

As per section-10 IAS-40 if the owner uses part of the property for its own use and part to earn rentals or for capital appreciation and the portion can be sold or leased out separately, they are accounted for separately. Therefore, the

part that is rented out is investment property. If the portion cannot be sold or leased out separately, the property is investment property only if the owner-occupied portion is insignificant.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that number of acres of land of EPZA to be used for lease/rent purpose for industries, warehouse or commercial purpose. So far, 264 industrial units have undertaken the units of land for industrial purpose in phase-I and phase-II. However, the management has not defined these properties as investment properties in their books of accounts. These properties are presently being reported in the books of accounts as administrative properties, which is a violation of above mentioned IAS.

Audit is of the view that non-segregation of properties shows slackness of the management which indicates poor financial internal controls.

The matter was reported to the management in October 1, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to conduct fact finding inquiry at Ministry level regarding non finalization of audited accounts since 2007-08 and further directed to segregate the properties in books of accounts within six months. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2 Pakistan Industrial Development Corporation

9.2.1 Introduction

Pakistan Industrial Development Corporation (Private) Limited (PIDC) was incorporated on January 01, 1985 under the Companies Ordinance 1984. Pursuant to an order of Federal Government, the business, project properties and all the shares held by ex-Pakistan Industrial Development Corporation in the capital of the managed companies and subsidiaries were transferred to and vested in the Company with effect from April 01, 1985. The Company was established to set up/manage and/or run a project/undertaking or business.

During the year ended June 30, 2008, the Government of Pakistan Ministry of Industries, Production & Special Initiatives, through letter dated August 24, 2007 took a step to consolidate and improve the management of Pakistan Automobile Corporation Limited (PACO). Accordingly, PACO was administratively merged with PIDC as a wholly owned subsidiary. The Government of Pakistan also vide Ministry of Industries' letter dated September 11, 2008, took another step to merge Ghee Corporation of Pakistan (Private) Limited (GCP) with PIDC.

9.2.2 Comments on Audited Accounts

9.2.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1994-95	74	71	3	67, 69& 70	96
1997-98	74	73	1	180	99
1998-99	20	17	3	137,138&141	85
2005-06	8	7	1	108	88
2006-07	5	4	1	94	80

2008-09	4	3	1	104	75
2009-10	3	2	1	197.1	67
2013-14	4	1	3	8.1.2.1, 8.1.2.2& 8.1.3	25
Total	192	178	14	-	93%

The overall compliance of PAC directives was satisfactory which needed to be maintained.

9.2.4 Audit Paras

9.2.4.1 Wasteful expenditure on non-operational units - Rs.435.89 million

Rule 5 of Corporate Governance Rules, 2013 states that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The Rule 4(3) states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2016-17 to 2017-18, it was observed that the management released funds amounting to Rs. 435.89 million to its non-operational subsidiary companies to meet their expenditure i.e employee's salaries, utility bills, payment of rent taxes, rent and miscellaneous expenses etc. The summary of total expenditure on non-operational units of PIDC as at 30-06-2018 is as under:

Sr. No.	Name of units	Expenditure incurred (Rs. in million)
1	Sindh Engineering Ltd.	200.00
2	Morafco Industries Ltd.	148.22
3	Suraj Ghee Industries Ltd.	87.67
Total		435.89

Audit is of the view that the management failed to exercise control over the spending/releasing of funds, which resulted into wasteful expenditure amounting to -Rs.435.893 million. This showed poor financial management.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC decided that the matter be referred to MOI&P for further decision and progress be intimated to Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.2 Non-recovery of outstanding dues from TUSDEC - Rs.28.598 million

Rule-38 (1) of GFR provides that it is primarily the responsibility of the departmental authorities to see that all revenue or other debts due to government which have to be brought to account, are correctly and promptly assessed, realized and credited to Public Account.

During audit of Pakistan Industrial Development Corporation (PIDC) Head office for the year 2015-16, it was observed that the management allotted area of 285,975 Sq.Ft to Technology Up-gradation & Skill Development Company (TUSDEC), Lahore situated at State Cement Corporation Building, Cement and Research & Development Institute, Kot LakhPat, Lahore since 2008 without fulfilling legal requirements i.e. Tenancy Agreement with tenant.

Audit is of the view that had such a large area been rented out to any other tenant then an amount of Rs.28.597 million (285,975 Sq.Ft @ Rs.100/-per Sq. Ft. Per Month) could have been earned by PIDC. Thus, an amount of Rs.28.597 million was still outstanding against TUSDEC.

The matter was reported to the management in March, 2017 and November, 2018. DAC meeting was held on January 15, 2019. The management informed that MOI&P requested PIDC to condone the rent in respect of

TUSDEC office. Audit contended that as rent cannot be condoned and it needs to be recovered. DAC directed the management to get verified the instruction of MOI&P and revise the agreement on reasonable rent with the approval of BOD. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.3 Non-recovery of the outstanding rent from tenants - Rs.13.530 million

Rule-38(1) of GFR provides that it is primarily responsibility of the departmental authorities to see that all revenue or other debts due to government, which have to be brought to account, are correctly and promptly assessed, realized to public account.

During audit of Pakistan Industrial Development Corporation (PIDC) for the years 2016-17 to 2017-18, it was observed that an amount of Rs.13.530 million was laying outstanding on account of rent against the various tenants of the PIDC buildings as on 30th June 2018. Detail of outstanding is as under:

(Rs. in millions)

Sr. No	Name of Party/tenants	Up to 3 years	Beyond 3 years	Total
1	M/s Chick- A- Zee	3.584	5.189	8.773
2	M/s Pakistan Dairy Development Company	2.346	-	2.346
3	MCB Bank Limited	0.784	-	0.784
4	National Bank of Pakistan	0.690	-	0.690
5	Aik Hunar Aik Nagar (AHAN)	0.373	-	0.373
6	M/s Grow Green	-	0.364	0.364
7	M/s Highland Tours & Travels	0.092	0.016	0.107
8	M/s Comsats Internet Services	0.035	-	0.035
9	M/s Sui Northern Gas Pipelines	0.024	-	0.024
Total		7.928	5.601	13.530

Audit is of the view that undue favour was extended to the tenants due to non-recovery of rent. This indicates weak internal controls.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC showed displeasure on the recovery performance of the management and directed to submit detail revised reply to audit regarding detail of recovered amount and got verified from audit. The status of the legal cases may be intimated to audit and expedite the cases within 02 months. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.4 Loss due to non-imposition of LD charges - Rs.29.322million

As per condition (8) of the work order, in case of delay in completion of ordered job/work, contractor shall be liable to pay to the Corporation penalty @ Rs.1% (Rupees one percent) per day of the total amount of contract awarded till its completion. Further, as per clause 29 of Public Procurement Rules, Evaluation criteria: Procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2016-17 and 2017-18, it was observed that in January 2017 management awarded a contract to M/s Trade centre for the Interior & Exterior paint, miscellaneous, civil, electrical & other work at PIDC house, Karachi amounting to Rs.6.883 million. As per work order, the civil work was required to be completed within ninety (90) days from the date of receipt of work order i.e. May 01, 2017. However, the contractor failed to complete the said work within stipulated period as the work is still in progress. Later, it was observed that there was no significant improvement in the progress of work and the management proposed the termination of the contract. Despite the fact, the management allowed an extension for (45 days) to the contractor. Thus, the management non-imposing LD clause the Corporation sustained a loss of Rs.29.322 million

(68,832*426 days) as at June 30, 2018. Moreover, the contract was awarded to incapable contractor in irregular manner.

Audit is of the view that undue favour was extended to the contractor by non-imposition of the penalty as required under the term and conditions of the contract.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to probe the matter regarding irregular award of contract and further probe the actual LD Charges on the contractor or otherwise. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.5 Irregular appointment & promotion of G.M (A&P) - Rs.24.84 million

Establishment Division O.M. No.9/2/74-R.6 (Pt.2), dated January 21, 1988 states that appointment to the post shall be made by promotion on the basis of selection by the DPC of the Ministry/Division/ Department concerned and with the approval of the appointing authority, from amongst the regularly appointed Stenographers of the Ministry/ Division/Department concerned. Further, Para 4 states if no suitable person is available for promotion to the post in the Ministry/ Division/Department concerned, the vacancy shall be filled in by appointment from amongst the regular Stenographers, employed in other Ministries/Divisions/Departments who fulfill the conditions for promotion to the post as laid down in para 3 above, in consultation with the Establishment Division.

During audit of PIDC for the years 2016-17 to 2017-18, it was observed that in August 2007 management appointed Mr. Ashfaq Ahmed as Private Secretary to CEO. The following irregularities were observed:

- i. He was appointed in management group IV which was to be filled by promotion, but he was directly appointed.
- ii. The advertisement for the post of PS to CEO dated 21 July, 2007 was made just in single newspaper (Dawn) through P.O Box as it neither mentioned name of entity (PIDC), age, qualification nor regional/ provincial representation (quota).
- iii. He was appointed during the ban period as daily wage worker.
- iv. He was promoted as Deputy General Manager (DGM) to Group V from Group IV on 3rd December, 2009 just within 26 months.
- v. He was brought to administration cadre from PS/stenographer cadre against the promotional rules and seniority principles and was posted Company Secretary & held additional charge as MD, Pakistan Motor Car Company (subsidiary of PIDC). Later, he was appointed as Company Secretary of PIDC on 11-01-2012 without fulfilling codal formalities (experience & qualification) and was upgraded to group D3 (equivalent BS-20).
- vi. He was promoted as General Manager (GM) dated 04-10-2012 in Grade D3 equivalent to BPS-20 (Management Grade) as Company Secretary without duly constituted Selection Committee and without approval of Prime Minister/ Chief Executive of Pakistan as notified by Establishment Division.

Audit is of the view that undue favour was extended to the employee as he was holding degree of Bachelor of Commerce (B.Com) only and initial he was appointed as Private Secretary and subsequently he was awarded promotions to higher management cadre in contravention of the rules and against the orders of Honorable Supreme Court of Pakistan. Thus, the payment of Rs.24.84 million (74month X 210,000 p.m = Rs.15,540,000 and 62 month X Rs.150,000 p.m = Rs.9,300,000) on account of pay and allowance was held irregular.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. The management informed that an Inquiry Committee was constituted by MOI&P, wherein the Committee recommended to immediate transfer the officer from the current position which has been implemented. DAC directed the management to conduct a fresh inquiry under E&D rules of PIDC as recommended by the inquiry committee of MOI&P

within one month and report be provided to audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.6 Irregular appointment & promotions of GM - Rs.15.30 million

Establishment Division's O.M.No.6/4/96-R.3, dated May 10, 1997 states that the cases of appointment to various posts in autonomous/semi-autonomous bodies shall be processed in accordance with the following guidelines:

Sr. No.	Nature of Case/post	Selection Procedure	Approving Authority
140 ii(c)	Posting of government servants of BPS 17 to 19	To be processed in the Ministry/Division concerned.	Secretary of Ministry/Division concerned.
iii (b)	Appointment to posts in Management Grades (i.e. M1-M3, D1 to D3/BPS-20)	Selection Board headed by the Secretary of Ministry Division concerned to consider & recommend from a panel of three names of each vacancy	Prime Minister/ Chief Executive

Establishment Division's O.M.No.1/9/80-R.2 dated 2-6-1983 states that the President is pleased to decide that five year minimum length of service in grade 17 for promotion to grade 18.

Further, letter No. 7(50)/90-P-II, dated 17 October, 1990 by Ministry of Production Islamabad states (i) (a) the board of directors of company concerned shall act as selection board for direct recruitment or promotion to posts in management grade (BS 20 and above). The participation of nominee of the ministry (additional secretary for M1 & M2, and joint secretary for M3) will be necessary when the board of directors meets as Selection Board." (ii) (a) "all appointments/ promotions in management grades will be subject to the approval of the ministry of the production."

During the audit of PIDC for the years 2016-17 to 2017-18, it was observed that in April 1997 Mr. Zahid Ur Rehman was transferred to PIDC from Industrial Steel Pipe Limited, PIDC subsidiary and later absorbed, appointed in PIDC in October 1997, in group E-II equivalent to BPS-17. His appointment in group E-II equivalent to BPS-17 as per Federal Rules should have been processed in the Ministry/Division and must be approved by the concerned Secretary of Ministry/Division which has not been adopted. Further, he was promoted to group E-III, equivalent to BPS-18, within 3 year and 3 month against the Federal Govt. rules which require minimum length of service of 5 years in grade 17.

Later on, he was promoted on 01-09-2014 to group D3, equivalent to BPS-20, without adopting due process of the law and without prescribed Selection Board headed by the Secretary of Ministry Division concerned to consider & recommend from a panel of three names of each vacancy and then must be approved by Prime Minister/ Chief Executive of Pakistan. In addition, the approval of the Ministry of the Production was not obtained as to extend favour to Mr. Zahid Ur Rehman. Further, he has been holding dual charges, sometimes more than dual charges, from time to times since his promotion to group D3, equivalent to BPS-20, without recommendation of the Departmental Promotion Committee (DPC) or the Central Selection Board (CSB) as prescribed by the Federal Govt. which is irregular.

Audit is of the view that appointment and promotion of Mr. Zahid Ur Rehman were irregular. His transfer, absorption and appointment in BPS-17, promotion in BPS-18 and promotion in BPS-20 were irregular as the due process of law was not adopted.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide Ministry's approval regarding promotion of concerned within 07 days for verification of Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.7 Irregular payment of Ex-gratia/Bonus - Rs.12.001 million

Finance Division OM dated Nov 30, 2001 states that the payment of bonus of autonomous bodies /semi-autonomous bodies/ Corporations requires approval by administrative Ministry and concurrence of Finance Division.

Service Rules of PIDC Chapter –VIII (21) “Bonus may be paid to employees of the profit making units and the Corporation at such rate as the Board may decide after finalization of accounts and due audit at the close of each financial year in the light of conditions prescribed by the Federal Government”.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2015-16, it was observed that the management paid bonus amounting to Rs.12.001 million to its employees during the year 2015-16. The detail as under:

(Rs.in million)

Year	Amount
2014-15	4.669
2015-16	7.332
Total	12.001

Audit is of the view that the, payment of Ex-gratia/ Bonus amounting to Rs.12.001 million without the approval of administrative Ministry and concurrence of Finance Division is irregular and unjustified.

The matter was reported to the management in March 2017 and November, 2018. DAC meeting was held on January 15, 2019. The management informed that the Corporation earned profit during 2014-15. DAC directed the management to get the record verified from audit within 07 days. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.8 Irregular appointment of Junior Executive - Rs.8.537 million

According to Rule-6 of Pakistan Industrial Development Corporation (PIDC) Service Rules 1986, all initial appointments and promotions against sanctioned posts shall be made in consultation with the selection committee constituted by the competent authority for the purpose in relation to each post or grade as the case may be.

During audit of PIDC for the year 2014-15, it was observed that the management appointed Mr. Dedar Ali Kalhoro as Junior Executive without advertisement of the post and without any recommendations of the Selection Committee/Board. Subsequently, the officer was promoted as Deputy Manager (E-I) without fulfillment of the codal formalities. The degree of BA and MA (Economic) submitted by the officer was also not got verified from the concerned university by the management. Hence, the appointment of the officer was irregular and the payment of Rs.8.537 million on account of Pay & Allowance was also irregular.

Audit is of the view that undue favour was extended to the employee by the management.

The matter was reported to the management in September, 2016. DAC meeting was held on January 15, 2019. The management informed that appointment was made with the approval of Ministry. DAC directed the management to provide approval of MoI&P and verification of degree to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.9 Fraudulent/Irregular appointment CIA - Rs.7.673 million

Section 22 of the Corporate Governance Rules, 2013 states that no person shall be appointed as the Chief Internal Auditor of a Public Sector Company

unless he has five years of relevant audit experience and is (a) member of a recognized body of professional accountants; or (b) certified internal auditor; or (c) certified fraud examiner; or (d) certified internal auditor; or (e) person holding a master degree in finance from a university recognized by HEC.

During audit of PIDC for the years 2016-17 to 2017-18, it was observed that in November 2016 management appointed Mr. Amjad Hussain as Chief Internal Auditor (CIA). He neither possessed the requisite qualification nor did he have required experience of five (5) years in relevant audit field. He was inter chartered accountant (mid of degree) at the time of appointment. Post was advertised only in single newspaper (Dawn) and it did not mention qualification, regional/ provincial representation (quota). His contract was initially for three (03) years instead of two years. On verification of his additional academic qualification, HEC rejected the existence of educational institutions of USA as degree awarding institutions, as mentioned in his CV produced by him.

He was appointed without adopting due process/ mechanism which requires the application must be processed through Head of HR department. In letter vide IDC-2 (4623) dated 23 July, 2018 GM (Admin & HR) stated that he was not involved in the appointment process of CIA. Further, he was applied after due date and without NOC which was mandatory as highlighted in the press advertisement. Thus, the payment of Rs.7.673 million on account of pay and allowances was held irregular.

Audit is of the view that undue favour was extended to the incumbent by appointing him in non-transparent manner. This indicates weak internal controls.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct fact finding inquiry from the concerned Joint Secretary in MOI&P to determine the Qualification, experience, HEC degree Verification and applying date for the post. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.10 Irregular appointment of CFO - Rs.6.40 million

Section 14 of the Corporate Governance Rules, 2013 states that no person shall be appointed as the chief financial officer of a Public Sector Company unless he is- (a) a member of a recognized body of professional accountants with at least five years relevant experience. Further, Establishment Division's O.M.No.6/4/96-R.3, dated 10-5-1997 the cases of appointment to various posts in autonomous/semi-autonomous bodies shall be processed in accordance with the following guidelines:

Sr. No.	Nature of Case/post	Selection Procedure	Approving Authority
140 iii (b)	Appointment to posts in Management Grades (i.e. M1-M3, D1-D3/BPS-20)	Selection Board headed by the Secretary of Ministry Division concerned to consider & recommend from a panel of three names of each vacancy	Prime Minister/ Chief Executive

During the audit of PIDC for the years 2016-17 to 2017-18, it was observed that in August management appointed Mr. Muhammad Sarfaraz Javed as CFO. He was not the member of a recognized body of professional accountants at the time of appointment as no such document was provided. He also does not have required experience of five (5) years in the relevant field. It was further observed that he has been appointed through the advertisement given by KPMG firm (Private Chartered Accountants Firm) in single newspaper (Dawn) instead of advertisement given by PIDC management under its name and logo. Even in that advertisement placed by KPMG did not mention name of PIDC which is no less than concealment of job opportunity for all eligible citizens of Pakistan.

He was appointed on contract basis initially for three (03) years instead of two years. He was interviewed twice. Firstly, he did not appear in person (physically) before 1st interview panel conducted dated 14-07-2017 at PIDC (HO) Karachi, but as a favour, he was interviewed through Skype. Later, another

interview panel was constituted, as to extend him favour, on 22-07-2017. In addition, he was appointed as CFO equivalent to BPS-20 (Management Grade) without duly constituted Selection Committee and without approval of Prime Minister/ Chief Executive of Pakistan as notified by Establishment Division. Thus, the payment of Rs.6.400 million on account of pay and allowances was held irregular.

Audit is of the view that undue favour was extended to the incumbent by appointing him in non-transparent manner. This indicates weak internal controls.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide the record relating to required qualification and experience of 05 years in relevant field to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.11 Unjustified expenditure on account of Travelling & Accommodation - Rs.4.810 million

Para-33 of Pakistan Industrial Development Corporation (PIDC) provides that in the case of travel by air, the counterfoil of the air ticket should be produced when making a claim for payment indicating also the class in which the employee travelled.

According to Rule PIDC Travelling allowance rules Para No.62 (i) to scrutinize the necessity, frequency and duration of journey and halt for which travelling allowance is claimed and to disallow the whole or a part of the claim in respect of any journey or the halt if he considers that a journey or halt was unnecessary or that a halt was of excessive nature.

During audit of PIDC, for the year 2014-15, it was observed that the management paid travelling and daily allowance (TA/DA) amounting to Rs.4.810 million to their officers/executives without scrutinizing/examining their bills. The payment of TA/DA claim seems to be fictitious/bogus. During scrutiny of the TA/DA, following discrepancies have been observed:

Approval of the competent authority /Tour programme of the officers was not found attached with the bill.

Specific purpose of Journey was not mentioned in the bill Air tickets and counterfoil of the boarding card was not found attached with the bill.

Audit is of the view that due to the above discrepancies the payment of Rs.4.810 million seems to be doubtful. The irregular/doubtful expenditure on account of TA/DA was also indicative of weak internal control prevailing in the organization.

The matter was reported to the management in September, 2016 and November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide the original Boarding passes and airline tickets to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.12 Irregular splitting of purchases - Rs.3.231 million

Rule-9 of Public Procurement Rules, 2004 states that, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirement so determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2011-12 to 2015-16, it was observed that management purchased Furniture & Fixture, Sundry Equipment, Electric Equipment's, Computers & Ancillary Equipment, and incurred expenses an amount of Rs.3.231 million by splitting up.

Audit is of the view that the management procurements for the year were planned properly and requirements of all departments were obtained and made purchases through one time open tendering process, resultantly the benefit of economical procurements could have been achieved. The procurements of different items valuing to Rs.3.231 million were held irregular as these procurement s were splitting up and in violation of PPRA 2004.

The matter was reported to the management in May, 2015 and November, 2018. DAC meeting was held on January 15, 2019. The management informed that purchases were on receipt of requisitions from different departments on need basis and no splitting was incurred. DAC directed the management to get the record verified from audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.13 Irregular payment due to dual benefits rewarded to CEO - Rs.1.673 million

As per terms and conditions of the contract appointment of Mr. Muhammad Iqbal Tabish, Chief Executive officer, (CEO) vide para 5.

- a. Monthly salary Rs.450,000/- p.m
- b. House rent allowance @ 150,000/- p.m
- c. Entertainment allowance @ 10% of salary p.m
- d. House maintenance allowance @ 10% of house rent p.m
- e. Utility allowance 50,000/- p.m

- f. 1300cc chauffer driven company maintained car with 700 litres monthly petrol ceiling as per company policy.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2016-17 and 2017-18, it was observed that Mr. Muhammad Iqbal Tabish (CEO) was allowed Adhoc Relief Allowance Rs.45,000 and Conveyance Allowance Rs.57,525 per month in addition to above contract amount, which was irregular. The detail is as under:

(Amount in Rupees)

Description	Amount per month	No. of Months	Total
Conveyance Allowance	57,525	15	862,875
Adhoc Relief Allowance	45,000	18	810,000
Total			1,672,875

Audit is of the view that undue favour was extended to the CEO at the cost of the Company's fund which indicates weak internal controls and poor financial management.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to verify the payment of conveyance allowance from audit and stop adhoc relief allowance immediately from the salary statement. The paid amount to the officer regarding adhoc relief allowance should recovered/adjusted from the salary/dues and also get it verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.3 Pakistan Industrial Development Corporation Medical Centre

9.3.1 Introduction

PIDC Medical Centre was established in 1959 and awarded Corporation status in February, 1986 as a non-profit association incorporated as Public Limited Company by Guarantee.

The activities of the center are to provide medical facilities on non-commercial basis to the employees of PIDC (Private) Limited, its units subsidiaries, associated companies, and other state enterprises in particular and to public in general.

9.3.2 Comments on Audited Accounts

9.3.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.3.3 Compliance of PAC Directives

No PAC directives were outstanding against the organization.

9.3.4 Audit Para

9.3.4.1 Non-recovery of outstanding service charges - Rs.1.702 million

According to the Rule 4 of Public Sector Companies (Corporate Governance) Rules, 2013 the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC) Medical Centre (MC) for the year 2011 to 14, it was observed that an amount of Rs.1.702 million was outstanding from M/s. Pakistan Machine Tool Factory (PMTF) on account of medical service charges since July, 2013.

Audit is of the view that due to negligence and inefficiency of the management the amount could not be recovered.

The matter was reported to the management in July, 2015 and November, 2018. DAC meeting was held on January 15, 2019. The management informed that out of 1.702 million, an amount of Rs.1.012 million has been recovered/adjusted from PMTF.

DAC directed the management to get verified the recover amount from audit and recover the remaining outstanding amount, otherwise presented before the BoD for written off. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.4 Karachi Tools, Dies and Moulds Centre

9.4.1 Introduction

Karachi Tools, Dies and Moulds Centre (KTDMC) was incorporated in 2006 as a company limited by guarantee having share capital under section 42 of the Companies Ordinance, 1984. The primary objective of the Company is to establish and run an Information Technology (IT) based common facility centre primarily for improving the skills of engineers and designers, enhancing the quality of designing, engineering and manufacturing of local tools, dies and moulds. The Company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Private) Limited (PIDC) the holding company.

9.4.2 Comments on Audited Accounts

9.4.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	5	1	4	8.2.4.1, 8.2.2.1, 8.2.2.2& 8.2.3	20
Total	5	1	4	-	20%

The overall compliance of PAC directives was 20%, which needed to be improved.

9.4.4 Audit Paras

9.4.4.1 Irregular procurement of services from suppliers amounting – Rs.3.027 million

According to Rule-20 of PPRA Rules, 2004 the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Karachi Tools, Dies and Mould Centre (KTDMC) for the year 2015-16 it was observed that the management awarded contracts to M/s. Executive Security (Pvt.) Ltd. for providing security services amounting to Rs.0.880 million, supplies of water from M/s. Raja Muhammad Sarwar Enterprises & Co amounting to Rs.0.927 million and Janitorial Services for KTDMC Building on regular basis from M/s. Al-Basit Facilities Management Pvt. Ltd. amounting to Rs.1.212 million.

Audit is of the view that the management procured services from the suppliers without adopting open competitive bidding procedures by violating PPRA Rules. Thus, the payment of Rs.3.027 million was held irregular/unjustified.

The matter was reported to the management in November, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. DAC was not satisfied with the explanation given by the management and directed the management to give revised reply and get it verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.4.4.2 Irregular procurement without open tendering - Rs.2.577 million

According to the Rule 12 of PPRA Rules, 2004 all procurement opportunities over two million rupees should be advertised on the authority's website as well as in other print media or newspapers having wide circulation.”

During audit of Karachi Tools, Dies and Mould Centre (KTDMC) for the year 2015-16 it was observed that the management procured raw material of Aluminum Casting amounting to Rs.2.577 million from the supplier M/s. Qadri Foundry (Pvt.) Ltd. The detail is as under:

Sr. No.	Invoice No.	Descriptions	Amount (Rs.)
1	9511	Aluminum Casting	713,000
2	9520	Aluminum Casting	118,220
3	9529	Aluminum Casting	333,500
4	9530	Aluminum Casting	258,060
5	9562	Aluminum Casting	555,600
6	3417	Aluminum Casting	598,951
		Total	2,577,331

Audit is of the view that the management did not follow open tendering procedure & advertisement was not launched on the authority's website for procurement of raw material (Aluminum Casting) having value greater than rupees two million and also not get competitive rates by violating PPRA rules.

The matter was reported to the management in September 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. Management informed the DAC that M/s Qadri Foundry was the only foundry in Pakistan who was expert in manufacturing such a large size of Aluminum casting, however KTDMC thereafter went for open tendering after raising of audit observation by Commercial Audit but again M/s Qadri Foundry came the lowest. DAC directed the management to give revised reply to Audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.4.4.3 Irregular payment of Performance Award/Bonus - Rs.1.805 million

Finance Division through O.M.No. F.3 (5) R.12/80(R.14) Vol-II/2001-544 dated Nov 30, 2001, applicable to all autonomous bodies/public sector enterprises, the payment of bonus to the employees is subject to concurrence of Finance Division. Further, the bonus should be paid to the employees on the basis of operational profit of the organization.

During audit of Karachi Tools, Dies and Mould Centre (KTDMC) for the year 2015-16 it was observed that the management paid an amount of Rs.1.805 million as performance award equal to one month's basic salary to officers/officials during the year 2015-16 on the basis of achievement of budgeted profit instead of operational profit of the KTDMC only excluding income from other sources. Further, the concurrence of Finance Division was also not obtained.

Audit is of the view that payment of performance award/bonus could not be justified because of being the violation of rules.

The matter was reported to the management in November, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. Management informed the DAC that the said bonus was paid from the operational income of the KTDMC which can be verified from the annual audited accounts. DAC settled the para subject to verification to find that whether the company was in operational profit or not during that period. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.4.4.4 Irregular hiring of security services without tendering-Rs.1.505 million

According to Rule 12 of PPRA Rules, 2004 regarding procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During audit of Karachi Tools Dies & Mould Center, (KTDMC) Karachi for the year 2014-15, it was observed that the management awarded contract of hiring for 4 security guards from M/s. Executive Security (Pvt.) Ltd in 2013 without floating tender in violation of above rule. Further on Supervisor was hired even without agreement.

Audit was of view that undue favour was extended due to negligence by depriving right of deserving and suitable candidates, which reflected weak internal controls.

The matter was reported to the management in December, 2015 and November, 2018. DAC meeting was held on January 07 & 08 2019. Management informed the DAC that security services were hired in emergency. DAC directed the management to give revised reply stating facts of emergency to be verified by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5 National Industrial Parks Development and Management Company

9.5.1 Introduction

The National Industrial Parks Development and Management Company (NIPD&MC) was incorporated as a public company with a share capital limited by guarantee on March 07, 2005 under Section-42 of the Companies Ordinance, 1984. Government of Pakistan (GoP) holds 58.31% shares and Pakistan Industrial Development Corporation (Private) Limited (PIDC) holds 41.69 % shares in the Company. The principal activity of the Company is establishing, developing and managing industrial estates of parks and upgrading existing estates and undertaking related activities.

The Company has entered into Agreements with PIDC for establishment of Korangi Creek Industrial Park (KCIP) and Pakistan Steel Mills (PSM) in respect of Bin Qasim Industrial Park (BQIP) Project as a consequence of which the Company incurs expenditure on development of industrial parks on land owned by PIDC and PSM respectively.

9.5.2 Comments on Audited Accounts

9.5.2.1 The working results of the Company for the year 2016-17 as compared with those of the previous years are given below:

(Rs. in millions)

	2016-17	% Inc / (Dec)	2015-16	% Inc / (Dec)	2014-15
Revenue	682.47	10163%	6.65	(98.09)	348.98
Development Cost	(522.27)	-	-	-	(290.64)
Gross Profit	160.20	2309%	6.65	(88.60)	58.34
Administrative Expenses	(108.67)	19%	(91.05)	(9.79)	(100.93)
Operating loss for the year	51.53	-	(84.4)	98.22	(42.58)
Other Income	77.79	109%	37.21	(54.21)	81.26
Financial Charges	(0.0407)	52%	(0.0267)	-	-

Profit/Loss before taxation	129.28	171%	47.63	25.67	37.9
Taxation	-	-	(0.44)	(93.17)	(6.44)
Profit/(Loss) after taxation	129.28	-	(47.63)	(251.40)	31.46

(Source: Annual audited accounts)

The Revenue generation shows a massive increase of 10,163% from previous year, total revenue earned during 2016-17 is Rs.682.47 million as compared to Rs.6.65 million in 2015-16, but external auditors of the company has raised objections on the revenue recognition policy of the company and pointed out that revenue on the sale portion of Rs.470.70 million measuring 18.375 acres pertains to previous year.

9.5.2.2 Administrative Expenses and Other Income has increased by 19% and 109% respectively.

9.5.2.3 The external auditors has raised objections on revenue recognition policies, lack of independent confirmation on major receivables, capitalization of development costs and dealing with PSM as briefly explained in note I-V of Auditor's Report to the members.

9.5.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	9	3	6	8.4.4, 8.4.3, 8.4.2.4, 8.4.2.1, 8.4.2.2, 8.4.4.1,	33
Total	9	3	6	-	33%

9.5.4 Audit Paras

9.5.4.1 Embezzlement in plot allotment - Rs.10.30 million

Condition No. (1) of the provisional allotment letter dated December 06,2016 states that the payment of remaining balance amount of Rs.19,700,000” within 90 days of receipt of this letter by Pay Order / Demand Draft in the name of National Industrial Parks Development and Management Company. Any collection charges charged by bank and exchange gain / loss, in case of foreign exchange payments, will be borne by the Allottee.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management on 06-12-2016 allotted single plot of 5 acre for Rs.50 million to Chaudhry Muhammad Aslam, which was situated at Rachna Industrial Park (RIP) Lahore. Out of total Rs.50 million, he deposited Rs.20 million and the remaining balance of Rs.30 million was required to be deposited but the management on 27-09-2018 said for payment of remaining balance of Rs.19.7 million instead of 30 million.

Audit is of the view that the management incurred a loss to government by embezzlement in plot allotment revenue collection of Rs.10.3 million.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to get the record verified from audit within three weeks. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.2 Irregular allotment of 36 acres land and issuing 37 licenses to allottees - Rs. 965.281 million

As per para (1) of External Auditor’s annual report for the year 2016-17, Memorandum of Understanding MoU expired in March 2014 and terms of MOU

have not yet been extended. Therefore, MoU is not legally enforceable and revenue should not be recognized by the Company until the execution of revised MoU.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that management executed 37 license agreements relating to plots measuring 36 acres with an aggregate sale price amounting to Rs.956.281 million. The basis of management fee and price of land to be paid on sub-lease of industrial plots at KCIP are not specified and agreed in the Memorandum of Understanding (MOU) signed between the Company, PIDC, Government of Sindh and The President of Pakistan through Ministry of Industries and Production dated March 19, 2009. Moreover, MOU expired in March 2014 and terms of MOU have not yet been extended. Therefore, MOU is not legally enforceable and revenue should not be recognized by the Company until the execution of revised MOU.

Audit is of the view that the management sold 36 acres land and issued 37 licenses without execution of MOU and without approval of President of Pakistan.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide correspondence with Government of Sindh and extension of MOU to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.3 Non-recovery of revenue - Rs.296.53 million

As per Note (3.1) of External Auditor's annual report for the year 2016-17, According to revenue recognition policy of the Company, revenue shall be recognized using the percentage-of-completion method as development

progresses for each developed plot of land after execution of license agreement/ sub-lease of the industrial land / plots.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that NIP management issued 37 license agreements pertaining to KCIP, entitling allottees access to the premises for commencement of construction work, had been executed measuring 36 acres with an aggregate sale price amounting to Rs.956.281 million out of which 17 license agreements admeasuring 18.375 acres with an aggregate sale price amounting to Rs.470.7 million pertains to prior year. The NIP shall transfer the amount received from the allottees / Sub-lease holders to PIDC upon issuance of Sub-lease Deed by PIDC to the allottees but the Sub-lease Deed has not be executed by PIDC to the allottees. Accordingly, payable to PIDC in respect of the value of land has not been recognized in theses financial statements.

Description	Amount (Rs. in million)
Revenue recognized during the year 2016-17	539.747
management fees received during the year 2016-17	120
Total Revenue recognized during the year 2016-17	659.747
Total revenue to be recognized for sale price of 37 license of 36 acres land	956.281
Non-recovery of revenue during the year 2016-17	(296.53)

The above position clearly transpires that huge recovery of Rs.296.53 million is lying un-recovered till close of audit. The accumulation of huge outstanding amount indicates that no proper system existed in the Corporation with regard to timely recovery of un-recovered amount. With the passage of time the chances of such recoveries become remote and they are likely to be converted into irrecoverable/loss.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management, who could not devise and launch any effective mechanism for timely recovery.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide relevant record to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.4 Non-recovery of tax refunds - Rs.76.996 million

Rule 20 of G.F.R states that it is the duty of the department Controlling Officer to see that all sums due to Government are regularly and properly, realized and duly credit to Government Account.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that tax refund during the year was Rs.76.996 million.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. The management informed that cumulative amount of tax refund is Rs.76.996 million instead of Rs.148.718 million and Rs.5.00 million has been refunded by the tax authority. DAC directed the management to get verified the refund amount and pursue for remaining claim vigorously. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.5 Loss due to under determining of plot value - Rs.40.00 million

Condition No (3)(a) of the terms and conditions for land at Rachna Industrial Park states that the allottee shall pay the prices as per area wise

division for the industrial plot at Rachna Industrial Park i.e 08 Kanal total price Rupees 12.00 million.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed from the file of plot allotment that in terms and conditions (3)(a) plot of 8 Kanal/01 Acre was worth Rs.12 million per acre and 20 acres land was worth Rs.240 million but the management of NIP on 22-12-2016 allotted plot of 20 acre for Rs.200 million at 10 million per acre to M/s Akzo Nobel Pakistan Limited, which was situated at Rachna Industrial Park (RIP) Lahore. Hence the management incurred a loss of Rs.40 million by under determining of plot value in violation of terms and conditions.

The matter was reported to the management in November, 2018. . DAC meeting was held on January 15, 2019. DAC directed the management to provide relevant record to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.6 Loss due to non-receiving of plot allotment revenue - Rs.30.00 million

Condition No. (1) of the provisional allotment letter dated December 06,2016 states that the payment of remaining balance amount of Rs.19,700,000” within 90 days of receipt of this letter by Pay Order / Demand Draft in the name of National Industrial Parks Development and Management Company. Any collection charges charged by bank and exchange gain / loss, in case of foreign exchange payments, will be borne by the Allottee.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management on 06-12-2016 allotted single plot of 5 acre for Rs.50 million to Chaudhry Muhammad Aslam, which was situated at Rachna Industrial Park (RIP) Lahore. Out of total Rs.50 million, he deposited Rs.20 million and the remaining balance of Rs.30 million

was required to be deposited which was not received by management and no receivable was mentioned in accounts for the year 2016-17 & 2017-18

Audit is of the view that the management incurred a loss to government by not receiving 30 million revenue and non-disclosing of 30 million in accounts against Chaudhry Muhammad Aslam.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct a fact finding inquiry in detail and fix responsibility on the concerned. Also probe the matter why the remaining amount was not shown as receivable in the balance Sheet of the Company. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.7 Non-recovery from Khairpur project - Rs.14.079 million

Rule 20 of G.F.R states that it is the duty of the department Controlling Officer to see that all sums due to Government are regularly and properly, realized and duly credit to Government Account.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that receivables against Khairpur Project Rs.14.079 million during 2017 increased from Rs.9.751 million to Rs.14.079 million as on June 30, 2017.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide detail of outstanding dues along with reconciled amount and get the recovered

amount verified from audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.8 Excess transfer of funds for purchase of 80 acres land - Rs.13.20 million

As per supporting email dated July 01, 2016 for fund transfer from Faysal Bank Limited to HBL Tariq Road branch, Rs.100 million was required for the purpose of procurement of land of Naushero Feroze Industrial Park.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that management by email dated 01-07-2016, transferred funds of Rs.100 million from Faysal Bank Limited to NIP account maintained in Habib Bank Limited for the purpose of Procurement of land of Naushero Feroz Industrial Park. But the land was purchased for Rs.86.8 million, hence the management transferred excess Rs.13.2 than the required value of land i.e. (100 million – 86.8 million = 13.2 million).

Further, it was observed that the management did not write letter to Faysal Bank for transfer of 100 million funds directly to Habib Bank account but the management deposited 100 million by depositing cheque no.0081588799 into Habib Bank which was irregular way to use company funds in its own way.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide all record regarding site office plan and expenditure incurred so far including bank statements of the amount for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.9 Non-recovery from others - Rs.9.399 million

As per Note (15.2) of External Auditors Report of NIP for the year 2016-17, this represents receivable against management consulting services provided by the Company in respect of infrastructure development of the project.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that receivables against others stood at Rs.9.399 million as on June 30, 2017, showing increased from Rs.5.88 million from previous year. This indicates 62.57% increases during the 2017.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management, who could not devise and launch any effective mechanism against timely recovery.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to recover outstanding dues within 30 days under intimation to audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.10 Loss due to non receipt of plot allotment revenue - Rs.9.00 million

Condition No. (1) of the provisional allotment letter dated September 27, 2018 states that the payment of remaining balance amount of Rs.9,000,000” within 90 days of receipt of this letter by Pay Order / Demand Draft in the name of National Industrial Parks Development and Management Company. Any collection charges charged by bank and exchange gain / loss, in case of foreign exchange payments, will be borne by the Allottee.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management on 28-11-2016 allotted plot of 1.5 acres for Rs.15 million to Mahmood Shafi Batla, which was

situated at Rachna Industrial Park (RIP) Lahore. Out of total Rs.15 million, he deposited Rs.6,000,000 as a first installment and the remaining balance of Rs.9,000,000 was required to be deposited within 90 days of receipt of NIP letter dated:16-02-2017 but the same was not deposited within due time period in violation of provisional allotment letter terms and conditions and this amount of Rs.9.0 was never received by NIP management from him during the period 2016-17 and 2017-18.

Furthermore, the management provided accounts for the year 2016-17 and 2017-18 but there was no amount of receivable shown against the said customer i.e. Mahmood Shafi Batla.

Audit is of the view that the management incurred a loss to government by non receiving sales revenue in due time of 90 days in violation of provisional allotment letter terms/conditions and amount of Rs.9.0 million was never received by NIP during period 2016-17 and 2017-18, further it no receivables were disclosed in accounts during the year 2016-17 & 2017-18.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct a fact finding inquiry in detail and fix responsibility on the concerned. Also probe the matter why the remaining amount was not shown as receivable in the balance Sheet of the Company. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.11 Non-approval of PC-I from planning commission of Pakistan – Rs.434.00 million

Section 6.1 of Planning Commission provides that the projects are identified by line Ministry/Autonomous Bodies/Attached departments, Provincial

and district governments. After appraisal and selection Projects are sent for approval.

During audit of Sargodha Industrial Park (SIP) for the year 2011-12 and 2012-13, it was observed that a PC-I for SIP was prepared by the Development Working Party (DWP) of PIDC. The same was approved by the BoD of PIDC and Ministry of Industries on December 20, 2011. However, the same was not sent to the Planning Commission of Pakistan for its approval as per rule mentioned above.

The matter was reported to the management in May, 2014 and November, 2018. DAC meeting was not convened despite requests by audit.

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

9.5.4.12 Chartered Accountant annual report showing contradictory amounts for same transaction leaving difference - Rs.87.339 million

As per chartered accountant annual accounts report of NIP for the year 2016-17 para (1) states:” As detailed in note 1.3 to the financial statements, the Company has recognized revenue and management fee amounting to Rs.539.747 million and Rs.120.092 million”.

As per chartered accountant annual accounts report of NIP for the year 2016-17 note (3.1) states:”The Company has recognized revenue and management fee amounting to Rs.452.408 million and Rs.120.092 million during the current year”

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-18, it was observed that Chartered accountant BDO disclosed figures of revenue recognized in para (1) for Rs.539.747 and shows different figure of same transaction in note (3.1) for Rs.452.408 million. Details of which

are as below:

Description	Rupees in million
Figures of revenue recognized during 2016-17 as per chartered accountant report para (1)	539.747
Figures of revenue recognized during 2016-17 as per chartered accountant report note no (3.1)	452.408
difference of figures for same transaction	87.339

Audit is of the view that in accounts of NIP Chartered accountant made difference of 87.339 million in accounts for same transaction in two statements.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide detail record to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.13 Irregular payment for purchase of Naushahro Feroze land - Rs.86.80 million

As per PIDC letter dated 28-03-2016 for Sale Agreement of Land states that this is with reference to your SMS of 26th March, 2016 authorizing PIDC to conclude the subject agreement with the buyers. Furthermore, the Board of Directors of PIDC in its 110th meeting held on 12th February, 2016 resolved that, Mr. Deedar Ali Kalhoro, DGM (E&I), PIDC was nominated to sign the title documents subject to fulfillment of all legal & codal formalities by NIP. Accordingly Mr. Deedar Ali Kalhoro, DGM (E&I), PIDC concluded / executed the "Sale Agreement of Land" duly signed by both the parties, i.e., Mr. Bisharat Ali Memon Son of Dhani Bux (Attorney of Seller) and Mr. Deedar Ali Kalhoro, DGM (E&I), PIDC as Purchaser on behalf of Pakistan Industrial Development Corporation (PIDC) as approved by both the Boards, i.e., PIDC & NIP.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that PIDC purchased land of 80 acres at total cost Rs.86.8 million for Naushahro Feroze Industrial Project and payment was to be made by PIDC on equal share basis to 03 land owners Sons of Dhani Bux i.e (1) Abdul Sattar (2) Abdul Jabbar and (3) Bisharat Ali. Management of PIDC hired M/s Lawyers & Lawyers legal consultant for transfer/mutation of land in the name of PIDC. It was noticed that irregular payment of Rs.86.8 million was made by NIP instead of the land was purchased by PIDC. Audit further observed following major violations in purchase of 80 acre land:

- i. That the management of PIDC made the sale agreement of land on SMS dated:26-03-2016, without approval by Board and official correspondence.
- ii. That the M/s Lawyers & Lawyers legal consultant intimated through letter dated:12-07-2016 to the PIDC management for payment/ pay order will be made to 03 owners of land on equal basis for which no evidence found that the payment made by PIDC on equal basis.
- iii. PIDC payment was irregularly paid by NIP management of Rs.86.8 million by mentioning cheque No.5629650 dated:12-7-2016 no copy of cheque was found in record.
- iv. No tender document was found for purchase of 80 acre land.
- v. Payment of Rs.86.8 million was paid by NIP by simply attaching printed computer paper sale deed of immovable property and without signing of PIDC, 03 owners of land and witnesses.
- vi. No evidence was found that the land of 80 acres was transferred in the name of PIDC or NIP.

In the light of above mentioned facts audit of the view that the irregular payment of Rs.86.8 million for 80 acres land was made by NIP instead of payment to be made by PIDC and huge payment was made on blank and unsigned sale deed on SMS basis.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide

detail original record of such huge purchase to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.14 Irregular payment of penalty and markup - Rs.69.00 million

As per chartered accountant annual accounts report of NIP for the year 2016-17 note (20) (20.1) states that this represents Sukuk Certificates under Musharaka arrangement with Al Baraka Bank Pakistan Limited as the Trustee amounting to Rs.500 million. These were secured by way of mortgage of immovable properties of the Company and ranking hypothecation charge over the assets. The tenor of financing is 7 years maturing on September 04, 2021. First Installment of principal was due on March 04, 2017. Profit on Sukuk Certificates issued by the Company to Sukuk holders was payable on semi-annual basis at an average rate of 6 months KIBOR plus 1.10% per annum. During the year these Sukuk certificates have been repaid earlier before the due date of installment by the Company”.

As per BoD meeting No.4/2014, dated:14-11-2014 (Penalty levied by Al Baraka Bank Pakistan Ltd). The matter was brought to the notice of the Board and Mr. Asad Chandna explained that initially the Bank had in total levied approx Rs.37 million as penalty on various delayed payments over the seven years period on Bi-annual installments payable by Ministry of Finance as per the terms of the 2 billion Sukuk loan.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management borrowed loan of 2 billion from Al Baraka formerly known as Emirates Islamic Bank borrowed taken in 2007 for 7 years and paid in 2014 but its final and full payment of Rs.500 million was paid in 2017, due to delay in paying loan penalty of Rs.37 million was imposed by Al Baraka Bank in 2014 and management paid further

markup payment of Rs.31.984 million in 2017 total Rs.68.984 million was paid by management due to delay in payment of period of 3 year.

Further, the Chartered Accountant M/s BDO misstated this full and final payment of loan of Rs.500 million as Sukuk Certificates under Musharaka arrangement with Al Baraka Bank Pakistan Limited as the Trustee amounting to Rs.500 million and mentioned tenor of financing is 7 years maturing on September 04, 2021.

Audit is of the view that payment of Rs.500 million loan was full and final payment of 2 billion loan borrowed by NIP in 2007 for 7 years and paid up to 2014 but the Chartered Accountant BDO change this as Sukuk Certificates under Musharaka arrangement with Al Baraka Bank, which are two different statements not matching with ledger payment of Rs.500 loan and Chartered Accountant statements.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to fix responsibility on the person(s) who were responsible for the delay. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.15 Non-recovery from PIDC - Rs.63.789 million

As per chartered accountant annual accounts report of NIP for the year 2016-17 note (15.1) states that this represents amounts receivable from PIDC, an associated company on account of Cantonment Board charges pertaining to 250 acres of KCIP land amounting to Rs.60.984 million and legal charges amounting to Rs.2.805 million (2016: Rs.2.085 million) and Rs.0.639 million on account of development expenditure relating to Sarghoda Industrial Parks paid by the Company on behalf of PIDC.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that from annual accounts of NIP for the year 2016-17 it was revealed that an amount of Rs.63.789 million was lying un-recovered against PIDC.

The above position clearly transpires that huge outstanding amount of Rs.63.789 million is lying un-recovered as on June 30, 2017. The accumulation of huge outstanding amount indicates that no proper system existed in the Corporation with regards to the timely recovery of un-recovered amount. With the passage of time the chances of such recoveries become remote and they are likely to be converted into increase in outstanding balances.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management.

The matter was reported to the management in November, 2018. The management informed that transfer fee paid to CBKC on behalf of PIDC, which will be adjusted from the payment of undeveloped land at the time of sub-lease of plots in KICIP. DAC directed that contention of the management be verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.16 Loss due to non receipt of plot allotment revenues - Rs.20.50 million

Condition No. (1) of the provisional allotment letter dated February 02, 2017 states that the payment of remaining balance amount of Rs.20,500,000 within 90 days of receipt of this letter by Pay Order / Demand Draft in the name of National Industrial Parks Development and Management Company. Any collection charges charged by bank and exchange gain / loss, in case of foreign exchange payments, will be borne by the Allottee.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management of NIP on 28-11-2016 allotted plot of 3.5 acres for Rs.35 million to Sheikh Tahir Ahmed Munir, which was situated at Rachna Industrial Park (RIP) Lahore. Out of total Rs.35 million, Mr Sheikh Tahir Ahmed Munir deposited Rs.14,000,000 as a first installment and the remaining balance of Rs.20,500,000 was required to be deposited within 90 days of receipt of NIP letter dated:16-02-2017 but the same was not deposited within due time period in violation of provisional allotment letter terms and conditions and this amount of Rs.20.5 was never received by NIP management from him during the period 2016-17 and 2017-18.

Furthermore, the management provided accounts for the year 2016-17 and 2017-18 but there was no amount of receivable was shown against the said customer i.e Sheikh Tahir Ahmed Munir in these accounts.

Audit is of the view that the NIP management incurred a loss to government by non receiving sales revenue in due time of 90 days in violation of provisional allotment letter terms/conditions and amount of Rs.20.5 million was never received by NIP during period 2016-17 and 2017-18, further it no receivables were disclosed in accounts during the year 2016-17 & 2017-18.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct a fact finding inquiry in detail and fix responsibility on the concerned. Also probe the matter why the remaining amount was not shown as receivable in the balance Sheet of the Company. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.17 Irregular purchase of vehicles - Rs.12.397 million

Rule 12 of PPRA-2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management purchased vehicles during the year 2016 for Rs.3.568 million and during the year 2017 of Rs.8.829 million without tendering process in violation of PPRA Rules, 2004. Details of additions are as below:

Vehicles additions during the year 2016	3,567,720
Vehicles additions during the year 2017	8,829,280
Value of total Vehicles additions during 2016-17 (Rs.)	12,397,000

Audit is of the view that management purchased vehicles of Rs.12.397 million by violated the PPRA rules as the procurement opportunity was not advertised due to which NIP deprived from the benefit of competitive rate.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide documents regarding purchase of vehicles through local assembled manufacturers at the fix price of the authorized company. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.18 Irregular payment of bonus - Rs.9.151 million

According to the Finance Division O.M. No. F.3 (5) R.12/80(R.14) Vol-II/2001-544 dated November 30, 2001, the payment of bonus to the employees is subject to concurrence of Finance Division and that should be paid to the employees on the basis of operational profit of the organization and further as per Finance Division (Regulation Wing), O.M.No.F.3 (5) R.12/80(R-14) 2002-154 dated March 18, 2002 Managing Directors and Members of the Board of Directors of autonomous/ semi-autonomous bodies/public Corporation/ organizations are not entitled to receive bonuses.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management incurred a loss after taxation of Rs.47.632 million during the year 2016, despite of the fact the management guaranteed bonuses amounting to Rs.9.151 million to its officers and officials for the year 2016. Further, bonus paid without obtaining the concurrence of Finance Division as required under the rule.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management that ex-post facto approval from Finance Division may be obtain to regularize the expenditure on account of bonus despite operating loss. Responsibility may be fixed on the person(s) at fault. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.19 Loss due to irregular sale and purchase of vehicles - Rs.7.942 million

Rule 20 of G.F.R states that it is the duty of the department Controlling Officer to see that all sum due to Government are regularly and properly, realized and duly credit to Government Account.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management sold vehicles for Rs.4.455 million during the 2016-2017 and purchased new vehicles of Rs.12.397 million during the 2016-2017 and incurred a loss of Rs.7.942 million during the 2016-2017. Details of sale and purchase of vehicles are as below:

Description	Amount (Rs.)
Vehicles sold during 2017	4,411,941
Vehicles sold during 2016	43,251
Total Vehicles sales during 2016-2017	4,455,192
Vehicles additions during the year 2016	3,567,720
Vehicles additions during the year 2017	8,829,280
Total Vehicles additions during the year 2016-17	12,397,000
Total loss due to sale and purchase of vehicles during 2016-2017	(7,941,808)

Audit observed following irregularities in sale and purchase of vehicles. That the management did not include all other costs in during sale value of vehicles and other information which is required as under:

- i. Cost of repair and maintenance
- ii. Cost of lubricants
- iii. Cost of POL
- iv. Cost diesel
- v. Cost of spare parts changed
- vi. Cost of spare parts purchased
- vii. Cost of insurance expenses
- viii. Driver salary expenses
- ix. Admin expenses
- x. Transfer letter of company registered numbers allotted to buyers.
- xi. Evidence for vehicle transferred to buyers name and new number allotted to them.
- xii. Evidence for intimation sent to Insurance companies, Government Excise department and ministry for selling vehicles and transferring vehicles to buyer's name.
- xiii. Tender documents of sale of vehicles.

Audit is of the view that management involved in irregular activity of sale and purchase of vehicles and utilized Government funds carelessly causing loss of Rs.7.942 million.

The matter was reported to the management in November 2018. DAC meeting was held on January 15, 2019. DAC directed the management to submit revised reply to audit with justification that the salvage value was properly assessed and capitalized or not and whether Condemnation Committee/Board approval had been obtained or not. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.20 Irregular payment of annual office rent - Rs.7.780 million

According to Rule 12 of Public Procurement Rules, 2004 Procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency:

During audit of NIPD&MC (HO), Karachi for the year 2015-16, it was observed that in June 2009 management hired an office located at 2nd floor FTC building measuring 6112 sq.ft. @ of Rs.332,798 per month and paid a sum of Rs.7.780 million during 2 years . The hiring of office was made without fulfilling codal formalities like the assessment report of covered area concurrence of Ministry of Housing works/PPRA Rules, 2004 or advertisement.

Audit is of the view that undue favour was extended to the landlord and office hired without approval of Ministry of Housing and works.

The matter was reported to the management in November, 2016 and November, 2018. DAC meeting was not convened despite requests by audit.

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

9.5.4.21 Irregular payment of stamp duty and other taxes - Rs.5.208 million

As per Legal Consultants letter dated 04-07-2016 for Duties & Taxes of Sale Deed in respect of property of PIDC at District Naushahro Feroze, 2.40% Stamp Duty of Rs.2,083,200 + (2) 1.20% Registration Fee Rs.1,041,600 + (3) 1.20% Town Tax (TMO) Rs.1,041,600 + (4) 1.20% Withholding Tax Rs.1,041,600= Total Rs.5,208,000 will be in Cash at Naushahro Feroze.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that PIDC hired M/s Lawyers & Lawyers legal consultant for transfer/mutation of land in the name of PIDC. M/s Lawyers & Lawyers legal consultant written letter dated 04-07-2016 to PIDC for duties & taxes of sale deed in respect of property of PIDC at District Naushahro Feroze and mentioned total value of Sale Deed Rs.5.208 million to be paid in cash at Naushahro Feroze. Audit observed following further irregularities in payment of duties and taxes:

- i. That the payment of Rs.5.208 was made by NIP instead of payment to be paid by PIDC.
- ii. The payment of Rs.5.208 was paid to M/s Lawyers & Lawyers legal consultant in cash instead of transferring or paying into Mukhtiarkar and Sindh revenue department account.
- iii. Payment was made on simple letter basis without provided stamp duties and tax receipts.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to get

verified the whole sale deed from Audit including handling of cash transaction. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:23:43 PM

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Asstt Programmer
Monday, 24 February, 2025, 3:23:43 PM

9.6 Pakistan Chemical & Energy Sector Skill Development Company

9.6.1 Introduction

Pakistan Chemical and Energy Sector Skills Development Company (PC&ESSDC) was incorporated as a non-profit public-private partnership on January 9, 2009. Its mandate is to promote, facilitate and provide education and training to a young and growing rural population in various disciplines of the chemical and energy sector in Pakistan. Its aim is to provide employment and invest in the productivity of locals for industrial development by establishing Vocational Education and Training Centers (VETCs), Technical Training Centers (TTCs) and management schools. PCESSDC's partners include Pakistan Industrial Development Corporation (PIDC), Engro Corporation, Mari Gas Corporation Limited, Descon Engineering and Saipem of Italy.

Objectives of the project:

The program aims to provide quality technical education offering three year diploma in the fields of Chemical and Mechanical Technology through establishment of a recognized standard Technical Training Centre (TTC) supervised by Chemical and Energy Sector Skill Development Company (CESSDC). It also aims to fill the gaps essential for imparting such education by providing complete practical training facilities along with suitable faculty.

9.6.2 Comments on Audited Accounts

9.6.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.6.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	5		5	8.3.1, 8.3.2.1, 8.3.2.2, 8.3.2.3, 8.3.3	-
Total	5	-	5	-	Nil

The overall compliance of PAC directives needs improvement.

9.6.4 Audit Paras

9.6.4.1 Irregular enhancement of pay of the CEO - Rs.8.450 million

As per Section-199 of the Companies Ordinance, 1984 the appointment of subsequent chief executive (1) Within fourteen days from the date of election of directors under section 178 or the office of the chief executive falling vacant, as the case may be, the directors of a company shall appoint any Companies Ordinance, 1984 person, including an elected director, to be the chief executive, but such appointment shall not be for a period exceeding three years from the date of appointment.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18, it was observed that in June 2011, the management appointed a Chief Executive Officer (CEO) at fixed salary of Rs.309,460 per month for a period of three (03) years. However, the management not only extended the period of service but also merged performance pay with fixed pay on the each renewal period of CEO in violation of above rule and against the BoD approval. Moreover, record/information was called for from the management on September 18, 2018 but the same was not provided to audit. Thus the payment of performance pay of

Rs.8.450 million to CEO is irregular. The detail is as under:

(Amount in Rupees)

Sr. No.	Initial Period & Extended period of contract	Pay fixed by BoD initial in	Pay revised Per month	Performance pays allowed by BoD	Performance pays increased by CEO	% of Performance pay	Difference of Pay payment
		A	B	C	D	E	F= (C-D×12) months)
1.	2009-11	309,460	309,460		-		-
2.	2011-12	309,460	309,460	46,419	46,419	15%	-
3.	2012-13	309,460	355,879	46,419	53,381	15%	83,544
4.	2013-14	309,460	409,261	46,419	61,389	15%	179,640
5.	2014-15	309,460	470,650	-	161,190	-	1,934,280
6.	2015-16	309,460	470,650	46,419	94,130	20%	572,532
7.	2016-17	309,460	544,624	-	235,164	-	2,821,968
8.	2017-18	309,460	547,624	-	238,164	-	2,857,968
					Total pay enhanced		8,449,932

Audit is of the view that performance pay is not the part of pay therefore, enhancement of pay is held irregular payment allowed to CEO.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that PIDC had paid an amount of Rs. 100 million from 2008 to 2011 to PCESSDC which is 26% of total share and remaining 74% is from the private sector who seen the company. Further no grant has been paid by the PIDC. Donors have conducted company Audit regularly from their Chartered Accountant Firm. Therefore the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.2 Irregular pay of Shift allowance/Evening Allowance to the Non-Teaching Staffs - Rs.6.562 million

As per Rule 4 of Public Sector Companies (Corporate Governance) Rules, 2013 the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18, it was observed that management paid extra time allowance/Evening shift allowance to the non-teaching staff & Admin staff of Rs.6.562 million (4,835,401 + 1,726,615) during 2016-17 & 2017-18 respectively without providing a proof/justification of extra time services rendered by the administrative employees. Thus, the payment of extra allowance is irregular as the company sustained operating loss of Rs.31.78 million.

Audit is of the view, that undue favour was extended to the employees due to payment extra allowance which was not admissible.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not be applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.3 Irregular use of Cash for procurement of goods & Services - Rs.4.563 million

As per Rule 42 of the PPRA Rules-2004 procuring agency may utilize the following alternative methods of procurement of goods, services and works, namely(b) request for quotations.-A procuring agency shall engage in this method of procurement only if the following conditions exist, namely(i) the cost of object of procurement is below the prescribed limit of one hundred thousand rupees. Rule - 9 states that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18, it was observed that management procured goods and services either directly from the suppliers or through the quotations in violation of above rules. Furthermore, it is also worth to mention here that the period limit of petty cash was also not fixed by the management and though frequent usage of petty cash was observed during the periods. The details of petty cash amount utilized during the periods of 2016-17 & 2017-18 are tabulated below:

Sr. No.	Period of used petty cash	Purposes of cash payment	Amount of petty cash (Rs.)
1.	2017-18	Advances for petty procurement and procurement of electrical, mechanical, chemical and general stores items	1,962,227
2.	2016-17	Advances for petty purchase and procurement of electrical, mechanical, general store items	2,601,743
Total			4,563,970

Audit is of the view that due to non-planning and preparation of procurement policy majority of the procurement was made through petty cash purchases which were against the PPRA Rules-2004.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.4 Irregular Purchases of Vehicle without approval from the BoD - Rs.3.530 million

According Rule-4 of the Corporate Governance Rules (Public Sector Companies) Rules, 2013 the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18, it was observed that management purchased a Toyota Hiace 2013 amounting to Rs.3.530 million directly by getting quotation and without prior approval of the Board of Directors of the company. Thus, the payment of Rs.3.530 million was irregular.

Audit is of the view that undue favour was extended to the contractor and the company deprived from the benefits of competitive rates. The procurement without the approval of the BoD indicates poor financial controls.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.5 Irregular award of security contract -Rs.2.228 million

According to Rule 12 of PPRA Rules-2004 Procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the authority website in the manner and format as specified by the Authority from time to time.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC) Daharki for the years 2016-17 & 2017-18, it was observed that the in August 2015 management hired Security Services Company for a period of one year directly without floating the tender in violation of PPRA Rules-2004. Further, the same was extended for a further period of two years. This resulting in payment of Rs.2.228 million was held irregular. The detail is as under:

S. No	Description	Per Month per Guard	Period	Amount Paid (Rs.)
1.	Three Guards	18,700	August,2015 to August,2016	673,200
2.	Three Guards	20,570	August,2016 to August,2017	740,520
3.	Three Guards	22,627	August,20117 to August,2018	814,572
Total				2,228,292

Audit is of the view that undue favour was extended to the contractor and the company deprived from the benefits of competitive bidding.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.6 Illegal auction of vehicle - Rs.1.051 million

According to Corporate Governance Rules (Public Sector Companies) 2013, Section (7) the Board shall also formulate significant policies of the Public Sector Company, which may include the following, namely(a) the formal approval and adoption of the annual report of the Public Sector Company, including the financial statements (b) the implementation of an effective communication policy with all the stakeholders of the Public Sector Company; (h)acquisition or disposal of fixed assets and investments. Further, according to Memorandum & Articles of Associations of PCESSDC - BoD Clause-29 the business of the company shall be managed by BoD which shall determine direction and scope of activities thereof in accordance (vi) to incur capital expenditure or dispose of fixed assets. Furthermore, as per PPRA Rule-2004 Section-13 Response time sub-Section (1) however, under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18, it was observed that management sold a Hino bus model-2001donated by Mari

Petroleum Company (MPC) valuing Rs.1.051 million without prior approval of the BoD. Furthermore, MPC handed over bus along with Rs.1.00 million for repair & maintenance cost. However, after renovation of bus, the management floated advertisement on April 13, 2018 for auction of the same. The last date for submission the bids was fixed on April 17, 2018 (05 days period) which was also in violation of the PPRA rules-2004.

Audit is of the view that the management failed to safeguard the interest of company which indicates weak internal controls.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7 Pakistan Gems and Jewellery Development Company

9.7.1 Introduction

Pakistan Gems & Jewellery Development Company (PG&JDC) was incorporated in 2006 as a company limited by guarantee having share capital under section 42 of the Companies Ordinance, 1984 (now Company's Act 2017). The registered office of the company is situated at suit No. 115-118, first floor, Progressive Plaza, Beaumont Road, PIDC House, Karachi. PG&JDC became operational in April 2007. The primary objective of the company is to promote and develop value added gems and jewellery products.

9.7.2 Comments on Audited Accounts

9.7.2.1 The working results of company for the year ended Dec 31, 2018 as compared to previous years are given below:

(Rs. In million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Income					
Training Fees	8.50	(0.47)	8.54	51.42	5.64
Income from Exhibitions	0.00	(100.00)	8.31	635.40	1.13
Grant related to Investment	50.00	25.01	39.996	-	-
Other Income	2.01	41.55	1.42	(67.27)	4.34
Expenditure					
Direct Costs	(122.37)	(21.43)	(155.75)	32.53	(117.52)
Administrative Expenses	(43.63)	(4.82)	(45.84)	10.67	(41.42)
Other expense	(2.46)	169.18	(0.92)	435.09	(0.17)
Excess of expenditure over income	(105.11)	(26.40)	(142.82)	(1.18)	(144.53)

(Source: Annual Audited Accounts)

The above working results of the company clearly depict that revenue/income of the company are unable to meet its expenditure. Negative equity is accumulating every year.

9.7.2.2 Excess of expenditure over income is Rs.105.11 million in 2018 as compared to last year of Rs.142.82 million. Company is losing its balance sheet value due to non generation of required revenues to meet its expenditures.

9.7.2.3 The statutory auditor M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants have qualified the audit report of Pakistan Gems and Jewellery Development Company and raised some serious qualifications; they qualified their opinion on unfunded gratuity scheme which has been accounted for in deferred liability for Rs.15.196 million as mentioned in note No.3.6 and qualified their opinion on deposit of Rs.37.522 million into government treasury as mentioned in note No.1.4 to the financial statements.

9.7.2.4 The chartered accountants has also pointed out material uncertainty of the company's ability to continue as going concern due to accumulated deficit of Rs.1,536.44 million up to 2018.

9.7.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	3	1	2	8.5.2.1& 8.5.3	33
Total	3	1	2	-	33%

The overall compliance of PAC directives needs improvement.

9.7.4 Audit Paras

9.7.4.1 Double payment of salaries to officers / staff for seven months - Rs.14.500 million

Rule 10 (i) and (iv) of General Financial Rules (GFR) states that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in

respect of expenditure of his own money. Public moneys should not be utilized for the benefit of a particular person or section of the community.

During the audit on the accounts of Pakistan Gems & Jewellery Development Company (PG&JDC) for the year 2016-17 & 2017-18, it was observed from the payment voucher of the month of February, 2018 that, an amount of Rs.14.500 million was paid by the management on account of salary. This payment was made from the "Assignment Account" which was actually meant for development expenditure. However, the monthly salaries of Head Office staff for the months of July, 2017 to January, 2018 were already paid every month to such employees which was evident from bank payment vouchers and bank reconciliation statements of employees 19 in number who received double salary for seven months. That is double payment of salaries to the staff of Head Office, for seven months indeed from July, 2017 to Jan, 2018 which requires recovery.

Audit is of the view that not only the management made payment of salaries from the Assignment Account but also paid double salaries for the same period i.e. from July 2017 to January, 2018. This issue tantamount to embezzlement / misuse of public funds and the expenditure amounting to Rs.14.500 million needs to be justified.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to conduct an inquiry to probe veracity of double payment of salary and look in to irregular withdrawal of funds from the assignment accounts and report to Audit within a month. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.2 Loss due to shortages of store items - Rs.1.840 million

Rule 151 of General Financial Rules (GFR) states that the head of an office or any other officer entrusted with stores of any kind should take special care for arranging for their safe custody, for keeping them in good and efficient condition and for protecting them from damage or deterioration. Suitable accommodation should be provided more particularly for valuable and combustible stores. He should maintain suitable accounts and inventories and prepare correct returns in respect of the stores in his charge with a view to preventing losses through theft, accident, fraud or otherwise and to making it possible at any time to check the actual balances with the book balances and the payment to suppliers, etc.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that in various projects of PGJDC, materials valuing Rs.1.84 million were reported short/stolen (Annex-36). This clearly depicts that the management was unable to protect / safeguard the assets resulting in to loss to the company.

Audit is of the view that the management was unable to exercise due care in protecting its available assets which resulted in a loss amounting to Rs.1.840 million.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to conduct an internal inquiry at ministry level and fix responsibility on persons at fault against missing items within a month. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.3 Irregular appointment and extension of contract of CEO - Rs.16.316 million

As per PC-I of the Company, the salary is required to be increased to the extent of 10% annually. Further, rule 5(2) of the Public Sector Companies Rules, 2013 states that the Board shall evaluate the candidates based on the fit and proper criteria and the guidelines specified by the Commission for appointment to the position of the chief executive and recommend at least three candidates to the Government for its concurrence for appointment of one of them as chief executive of the Public Sector Company, except where the chief executive is nominated by the Government. On receiving concurrence or nomination of the Government, as the case may be, the Board shall appoint the chief executive in accordance with the provisions of the Ordinance. The Board shall also be responsible for development and succession planning of the chief executive.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that in November 2011, management appointed Mr. Bakhtiar Khan as Chief Executive Officer(CEO) at fixed salary of Rs.300, 000 per month on contract for a period of two (02) years. After 2 months his salary was enhanced from Rs.300, 000 to Rs.400, 000 per month. Later on, in November 2013 his contract was further extended for a period of two (02) years along with an increment of Rs.40,000 per month w.e.f. July 01, 2013 with arrears of Rs.200,000. Furthermore, in December 2015 he was re-appointed as CEO for a further period of two (02) years. This re-appointment / extension was made in violation of rule 5(2) of the Public Sector Companies Rules, 2013 because the BoD sent only his recommendation against the recommendation of at least three (03) candidates to the Government for its concurrence. Thus, the payment of Rs.16.316 million on account of pay and allowances was held irregular (Annex-37).

Audit is of the view that undue favour was extended to the CEO at company cost which indicates poor financial management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management that the case of CEO irregular appointment, extension and enhancement of pay within three months of appointment be referred to MOI&P for review and necessary action. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.4 Mis-procurement in awarding contract - Rs.3.487 million

Rule 22(2) of PPRs.-2004 states that a procuring agency shall specify the manner and method of submission and receipt of bids in an unambiguous and clear manner in the bidding documents. Rule 23(1) procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid. According to the Rule 23(2) whether open or limited, the bidding documents shall include “form of bid”.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that in April 2016 an advertisement was floated by the management for the procurement of machinery, accessories and consumables item for Gems and Jewellery Training and Processing Center (GJTPC) Muzaffarabad, AJK. In response, three bidders submitted their bids. The contract was awarded to M/s Javed Sheikh Trading Co in June 2016 amounting to Rs.3.487 million being the lowest bidder. It is worth mentioning that no technical evaluation was made during the award of the subject procurement. Only comparative statement of the amount quoted by the bidders was made. The technical aspect of the items quoted was totally ignored by the management.

Audit is of the view that undue favor was extended to the bidder as the contract was awarded without technical evaluation.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to inquire the matter on mis-procurement and further directed the CEO, PIDC to arrange training classes for senior management from PPRA. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.5 Irregular direct procurement from German supplier - Rs.2.485 million

Rule 20 of the Public Procurements Rules, 2004 states that procuring agency shall use open competitive bidding as the principle method for the procurement of goods, services and works. As per the Rule12 all the procurement opportunities over two-million rupees should be advertised on the Authority's website as well as other print media or newspapers having wide circulation.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the year 2012-13, it was observed that management awarded a contract to German based supplier M/s. Kruess Optronic for procurement of equipment and tools for its laboratory at Muzaffarabad, AJK GMBH valuing of Euro 17,441 (equivalent to Rs.2.259 million) without advertising the procurement opportunity as laid down under rule quoted above.

Audit is of the view that undue favour was extended to the supplier and the company deprive from the benefit of competitive bidding.

The matter was reported to the management in February 2015 and November, 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to give revised reply under PPRA Rule, conduct an internal inquiry, and arrange training classes of senior management from PPRA under intimation to Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.6 Loss on disposal of various items - Rs. 2.461 million

Rule 5 of Public Sector companies (Corporate Governance) Rules, 2013 states that board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that the management decided to vacate the rented building and machinery / equipment and removable furniture / fixture due to closure of GJTMC, Quetta. A committee was constituted for the purpose. In September 20, 2017 the committee obtained rates of renovation / civil work items which are removable from the local salvage dealers to ascertain its value as detailed below:

Sr. No.	Name of Salvage Dealer	Offer Price (Rs.)
1.	Annar Gul	110,000 Including Removal and Transportation
2.	Ahmed Shah / Abdul Manan	160,000 Including Removal and Transportation

Later on, the Committee also offered the above mentioned items to the landlady which was accepted by her valuing Rs.200, 000. The Committee recommended accepting the offer of the landlady being the highest without auction / advertisement. It was worth mentioning here that the management highlighted the subject disposal of assets by means of tender (Note no: 4.2 of Annual Accounts for the year ended on June 30, 2018). However, subject disposal of assets was made on quotations and offer basis to the landlady. No reserve prices were being fixed by the management for the items. There seems to be an undue favor extended to the landlady. Resultantly, management sustained a loss of Rs.2.461 million.

Audit is of the view that undue favour was extended to the contractor and valuable items were disposed off by the management on just quotation and offer basis.

The matter was reported to the management in November 2018. DAC meeting was held on January 07 & 08, 2019. Management informed the DAC that civil works items like electric, plumbing items could not be removed from the project site. DAC directed the management to provide detail of all items sold, to prove their point including auction process adopted by them. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.7 Non-posting of officers on key positions lying vacant since long

Rule 5 of Public Sector companies (Corporate Governance) Rules 2013 states that board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the year 2016-17 & 2017-18, it was observed that various key posts were lying vacant in the company. It is a matter of utmost concern that the key positions of the company are lying vacant from a considerable period and there are no concrete efforts being taken by the management to fill these positions. The detail is as under:

Sr. No.	Name of Post	Number of Posts	Date Since the Post Vacant
1.	Chief Executive Officer	01	17-11-2017
2.	General Manager (Marketing & Quality Assurance)	01	07-04-2011
3.	General Manager, Training & Development	01	26-02-2018
4.	Chief Financial Officer & Company Secretary	01	20-11-2017
5.	Manager Projects	01	01-05-2012
6.	Manager Accounts	01	29-09-2016
7.	Manager (Admin & HR)	01	02-07-2014
8.	Manager (Internal Audit)	01	02-10-2013
9.	Manager (Coordination)	01	
10.	Assistant Manager (Quality Assurance)	01	29-09-2016
11.	Assistant Manager (Projects)	01	29-09-2016

Audit is of the view that in absence of the key posts, functioning of the company had been affecting badly. This shows sleekness of the management.

The matter was reported to the management in November 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to refer the case to MOI&P after getting approval from the BOD regarding appointment against vacant post. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.8 Irregular hiring of advertising agency

Rule 12 of PPRA-2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Further, rule 36 (a) of PPRs.-2004 states that in Single stage-one envelope procedure, Each bid shall comprise one single envelope containing, separately, financial proposal and technical proposal (if any). All bids received shall be opened and evaluated in the manner prescribed in the bidding document.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that in January 2018 an advertisement was uploaded by the management on Public Procurement Regulatory Authority (PPRA) website for hiring the services of advertising agency. In response, two firms i.e. M/s TNI Communications and M/s M Communications (Pvt) Ltd submitted their proposals. On February 19, 2018 M/s M Communication was being technically qualified and hired for releases of all advertisements of the company and its projects in print media. The firm was hired on only technical evaluation basis by Single Stage-one envelope procedure. However, Single stage-one envelope procedure clearly states that each bid shall

comprise one single envelope containing, separately, financial proposal and technical proposal. The financial aspect of the tender was totally ignored as only technical bids were called for by the management from the bidders. Furthermore, the advertisement was also not floated on print media or newspapers having wide circulation which deprived the management of getting competitive rates.

Audit is of the view that undue favor was extended to the bidder as neither the advertisement was floated in the print media nor financial proposals were obtained from the bidders.

The matter was reported to the management in November 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to inquire the matter on Mis-procurement and further directed the CEO, PIDC to arrange training classes for senior management from PPRA. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.8 Pakistan Institute of Management

9.8.1 Introduction

Pakistan Institute of the Management (PIM) was established in 1954 by Pakistan Industrial Development Corporation (PIDC) under the Ministry of Industries, Government of Pakistan. In December 1975, it was transferred to the Ministry of Industries and Production, Government of Pakistan and subsequently through SRO dated November 15th, 1976 an autonomous Board of Governors was constituted to promote management development in the country. Its primary mission is to serve the growing and complex need of organizational managers to achieve managerial excellence. Toward this end, PIM seeks to contribute to the enhancement of the managerial skills through training consultancy and research.

9.8.2 Comments on Audited Accounts

9.8.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.8.3 Compliance of PAC Directives

Audit Report Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1998-99	5		5	6(xxv),126,127,128,129	-
2009-10	8	-	8	Annex-I Item- 09,94,94.1,94.2,94.3,94.4,95,96	-
2013-14	7	4	3	8.6.2.1, 8.6.3, 8.6.4.1	57
Total	20	4	16		20%

The overall compliance of PAC directives was 20% which need to be improved.

9.8.4 Audit Paras

9.8.4.1 Irregular payment of Pay & Allowances due to non-verification of Degrees – Rs.46.430 million

Cabinet Secretariat (Establishment Division) vide D.O. No. 6(28) 2011-DG-II dated Mar 08, 2011 circulated the directives of the Prime Minister, according to which “ all the Autonomous bodies / Companies, Corporations were required to take the measures to authenticate degrees/ certificates of all the employees of their organization. It would be of concerned Head of Organization to have the degrees/certificates verified”.

During audit of Pakistan Institute of Management for the years 2016-17 & 2017-18, it was observed that the degrees/certificates of 18 employees were not verified during either probation period or until October, 2018 as required under the Establishments Division instruction referred above (Annex-38). Thus, the payment of pay & allowances amounting to Rs.46.430 million held irregular.

Audit is of the view that in the undue favour was extended to the employees by non-verified of degrees of the employees.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that so far degrees of 14 officers were verified. DAC directed the management to get verified the remaining degrees of employees within one month under intimation to Audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.8.4.2 Irregular expenditure on advertisement - Rs.10.731 million

According to PID vide letter No. 18(47)/2014-Advt dated October 13, 2014 that some Ministries/ Divisions / Department/Corporations/ Autonomous and Semi-Autonomous bodies have been releasing their advertisement to

newspapers through advertising agencies, by passing Press Information Department and the Competent Authority i.e. DG/PIO has taken serious notices of such gross violation of GOP rules and deviation from the approved policy.

During audit of Pakistan Institute of Management (PIM) for the years 2016-17 & 2017-18, it was observed that management incurred an amount of Rs.10.731 million on account of advertisement. These advertisements were made through private advertising agencies M/s. Arugs Advertising Pvt. Ltd. in various newspapers for different works without obtaining NOC from DG/PIO of Press Information Department, Govt. of Pakistan which was the clear-cut violation of the Policy. Thus, expenditure held irregular.

Audit is of the view that undue favour was extended to the advertising agency and against the Govt. policy.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. Management informed the DAC that all the advertisements were published through PID. DAC directed the management to verify the relevant documents pertaining to entire expenditure of Rs. 10.731 million. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.8.4.3 Irregular appointment of employees on contract basis - Rs. 7.972 million

According to Cabinet Secretariat, Establishment Division OM No6/2-2000/R.3 dated May 06,2000 vacancies to be filled through contract appointment should be advertised in leading national / regional newspapers and selection should be made through regularly constituted Selection Committee/ Boards. Further, as per order of Supreme Court of Pakistan passed on Human Rights case No 104 of 1992 on Dec 26,1992 (circulated by the Cabinet Division), the Court held initial appointments both ad hoc/regular without publicity and proper

advertisement as violation of Fundamental Rights (Article-18 of the constitution) and ordered to discontinue this practice forthwith.

During audit of Pakistan Institute of Management for the years 2016-17 & 2017-18, it was observed that management appointed 10 employees on contract basis during the years 2016 to 2018. After lapse of few months 03 employees were regularized and permanent. In the process of hiring management did not observe the prescribed procedure issued by Cabinet Secretariat, Establishment Division and appointed the contract employees without advertisement in leading national / regional newspapers. Thus the payment of Rs.7.972 million on account of pay and allowances was held irregular (Annex-39).

Audit is of the view that undue favour was extended to the employees due to appointment of without advertisement.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed for inquire in to the matter at the level of Joint Secretary, MOI&P regarding irregular appointment and regularization within one month and report also be shared with Audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.8.4.4 Irregular award of rental agreement with JS Bank - Rs.7.956 million

As per clause-20 of PPRA-2004 regarding principal method of procurement i.e. the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Further, the vacant space in the building located in commercial area should be let out at highest possible rate obtained through press advertisement and lease agreement should envisage normal increase as allowed by applicable Rent Restriction Ordinance.

During audit of Pakistan Institute of Management (PIM) for the years 2016-17 & 2017-18, it was observed that management entered into an agreement with M/s. JS Bank Limited. As per agreement PIM rented out the space of Premises having covered area of 6,760 Sq. ft. for the period of eleven months. The monthly rental was agreed as Rs. 663,000 which is equivalent to Rs.98/- per Sq. ft. This rental agreement with JS Bank Limited was made directly by the management without undergoing the procedure for tendering as mentioned in clause-20 of PPRA-2004.

Audit is of the view that undue favour was extended to JS Bank and rented out at cheaper rate and the institute was deprived from benefits of competitive rates.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to conduct an inquiry at internal level and get the record verified to audit whether BOD was competent to award this contract rent agreement without proper advertisement. In future extension in rent agreement shall not be allowed. Rather the matter must be advertised. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.8.4.5 Irregular allotment of vehicles against entitlement to general managers

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

During audit of Pakistan Institute of Management (PIM) for the year 2012-13 it was observed that the management allotted vehicles to General Managers against their entitlement of transport policy. The details are as under:

Sr. No.	Name of Officers	Designation	Allotted Vehicle, Registration No. & Horse power	Entitlement as per PIM Transport facility
1	Syed ul Haq	General Manager	Toyota Corolla GLI, ALU-490 & 1296CC	1000 CC without driver with 235liters of petrol
2	Aslam Soni	General Manager	Toyota Corolla GLI, ACZ-107 & 1296CC	1000 CC without driver with 235liters of petrol per month

Audit is of the view that undue favour was extended to the officer at public cost which indicate weak financial controls.

The matter was reported to the management in December, 2013 and November, 2018. DAC meeting was convened despite requests by audit.

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

9.9 Pakistan Steel Mills Corporation (Pvt.) Limited

9.9.1 Introduction

Pakistan Steel Mills Corporation (Private) Limited (PSM) was incorporated on July 02, 1968 as a Private Limited Company and is wholly owned by the Government of Pakistan. The Corporation is engaged in the manufacturing and sale of iron and steel products. Pakistan Steel Mills is the Country's largest Steel Industrial undertaking.

9.9.2 Comments on Audited Accounts

9.9.2.1 The working results of the Corporation for the year 2014-15 as compared with those of the previous years are given below:

(Rs. in million)

	2014-15	% Inc / Dec	2013-14	% Inc / Dec	2012-13
Sales-Net	7,031.72	(8.37)	7,673.65	(24.70)	10,191.17
Cost of Sales	(-24,020.78)	(7.64)	(26,007.84)	(14.54)	-30,434.40
Gross Profit/(Loss)	(16,989.06)	(7.34)	(18,334.20)	(9.43)	(20,243.23)
Distribution costs	(291)	1.82	(285)	(10.98)	(320.67)
Administration expenses	(2,794.63)	(10.64)	(3,127.37)	5.69	(2,959.01)
Other Operating Expenses	(815.75)	13.65	(718)	9.28	(656.77)
Finance Cost	(6,091.89)	(0.50)	(6,122.40)	25.23	(4889.10)
Total expenses	(9,992.93)	(2.54)	(10,252.96)	16.17	(8,825.54)
Operating profit / (loss)	(26,981.99)	(5.61)	(28,587.16)	(1.66)	(29,068.78)
Other Income	3,934.61	110.65	1,867.88	168.25	696.31
Profit (loss) before Tax	(23,045.37)	(13.74)	(26,715.75)	(5.82)	(28,366.79)
Taxation	(39.72)	-	661.71	-	(30.79)
Net Profit/ (Loss) after Tax	(23,085.08)	(11.40)	(26,054.04)	(8.25)	(28,397.58)

(Source: Annual Audited Accounts)

The Corporation has continued to make losses during the above mentioned three year period. The net sales during the year 2014-15 were even below the cost of sales. In this regard PSM's procedure for planning, establishment of sales prices and sales plan needs to be explained and rationalized.

9.9.2.2 The above working shows that sales has declined by 8.37%, from Rs.7,673.65 million in 2013-14 to Rs.7,031.72 million in 2014-15, whereas cost of sales has remained at the same levels.

9.9.2.3 Loss for the year 2014-15 is Rs 23,085.08 million and accumulated losses amounted has reached to Rs 141,830 million. Current liabilities exceed current assets by Rs 123,404 million.

9.9.2.4 External Auditors raised five qualifications in their report for the year 2014-15, which are appended below:

- a) Non-compliance of IAS-40 “Investment Property” that unallocated land should be classified as Investment Property instead of an item of Property, Plant and Equipment. The area of land should have been classified, as investment property, but it was not identified so; therefore, the impact of this non-compliance could not quantify.
- b) No formal estimation of useful life of each part of plant was made separately since inception and a single rate of 5% is charged to whole plant for depreciation; while IAS-16 requires review of useful life of each year for each part of Property, Plant and Equipment. No physical verification of immovable fixed assets including Plant and Machinery was made since inception; therefore, impact of this matter on carrying value of operating assets could not be determined.
- c) An amount of Rs. 2,796 million was reflected as taxes refundable in the Corporation’s balance sheet. No communication has been observed with the tax authorities to indicate recovery of such funds.
- d) There was no system of carrying physical count and valuing the scrap material in the Corporation. As a result, such material was reflected in the financial statements at zero value.
- e) The Corporation is in dispute with SSGCL with regard to late payment surcharge (LPS). The management believes the decision of ECC would prevail to waive off the surcharge. The Corporation has filed a counter-suit against SSGCL for claiming damages owing to discontinuance of gas supply.

9.9.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.9.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1990-91	6	5	1	700	83
1992-93	25	19	6	136, 137, 138, 140, 143& 145	76
1994-95	12	9	3	118, 120& 126	75
1995-96	28	26	2	121& 122	93
1996-97	36	11	25	100, 101, 111, 112, 113, 114, 117, 118, 123, 1.1, 1.3, 1.5, 1.8, 1.9, 1.10, 2.2, 2.3, 2.7, 2.8, 2.9, 2.10, 2.11, 2.13, 2.15& 3.1	31
1997-98	10	7	3	209, 210& 215	70
1999-00	10	9	1	219	90
2000-01	10	6	4	216, 218, 220& 224	60
2003-04	12	9	3	92.5, 92.6& 92.7	75
2004-05	8	5	3	65, 66& 70	63
2005-06	28	24	4	117, 118, 122& 124	86
2008-09	16	12	4	106, 107, 109& 110	75
2009-10	19	11	8	98.1, 99, 100, 104, 105, 109, 110& 112	58
2010-11	10	9	1	11.3.4.6	90
2013-14	15	2	13	8.7.1, 8.7.2.1, 8.7.2.2, 8.7.2.3, 8.7.2.4, 8.7.2.5, 8.7.2.7, 8.7.3, 8.7.4.2, 8.7.4.3, 8.7.4.4, 8.7.4.5& 8.7.4.6	13
Total	245	164	81	-	67%

The overall compliance of PAC directives needs improvement.

9.9.4 Audit Paras

9.9.4.1 Loss due to embezzlement of Hafta Bazar income - Rs.6.112 million

According to Rule 23 of GFR every Govt. Officers should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud or negligence on the part of any other Govt. Officer by his own action or negligence.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, it was observed that Incharge of Township Hafta Bazar retained income of Hafta Bazar for the period of July 2015 to January, 2016 and May 2016 to March, 2017 amounting to Rs.6.112 million with connivance of PSM employees instead of depositing the same to PSM's account. This resulted into embezzlement of Rs.6.112 million. It was further observed that the relevant file/record was also mis-placed.

Audit is of the view that retention of money by the Incharge was criminal breach of trust and shows weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct fresh inquire within 02 months and fix responsibility on the person(s) at fault. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.2 Loss due to non-recovery of electricity bills - Rs.159.744 million

Rule 38 of G.F.R. provides that it is primary responsibility of the departmental authorities to see that all revenues or other debts due to government,

which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of Pakistan Steel Mills (PSM), for the Year 2017-18, it was observed that management provides electricity through KESC to the consumers and the same was required to be recovered from them. However, management failed to recover outstanding due on account of electricity charges amounting to Rs.159.747 million. The detail of amount is as on June 30, 2018 is as under:

Sr. No.	Billing Location	No. of Consumers	Amount (Rs. in million)
1	Gulshan-e-Hadeed	775	21.196
2	Steel Town	877	74.848
3	Country Club	01	63.700
	Total	1,653	159.744

Audit is of the view that the management could not pursue the recovery effectively. This indicates weak internal controls of management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to recover the remaining amount within 02 months and recovered amount be got verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.3 Loss due to non-utilization of vacant space at FTC building - Rs.33.014 million

Rule-26 of GFR provides that it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that management abandoned / left vacant space of 10081 Sq. Feet at 2nd Floor FTC Building, Karachi since 2015 (actual month not verified). The last

rent charged from tenant by PSM was amounting to Rs.634,891 per month. Due to non-renting the vacant space, PSM sustained loss of income from July, 2015 to October, 2018 amounting to Rs.33.014 million. It is pertinent to mention here that PSM is totally shutdown (i.e. zero production), salaries of employees and fixed overhead of mills is being meet from bailout package from GoP to PSM.

Audit is of the view that this state of affairs shows poor financial management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide the record to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.4 Loss on account of non-recovery of dues from Country Club - Rs.20.00 million

Rule-26 of GFR provides that it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, the record pertaining to the Country Club were called for from the management vide requisition No.19 on October 29, 2018. But the same were not provided to audit on the plea that it was a private entity. If the estimated rent of Country Club is calculated @ Rs.2.00 million per annum, revenue of ten years would be Rs.20.00 million. The same was not collected.

Audit is of the view that as the Country Club was a private entity however, established on the land of PSM. Hence, the terms and conditions for

provision land and collection of rent was fall under the jurisdiction of audit. There for non-provision of record shows concealment of fact from audit.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. The management informed that utility dues were outstanding for Rs. 24.00 million. Their electivity was disconnected but, later resorted on the condition of early deposit. DAC directed the management to place a legal notice for revision of lease as it had expired in 2015 and recover utility charges within 02 months. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.5 Non-recovery from M/s Marigold Educational Society - Rs.9.893 million

Rule-26 of GFR provides that it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, it was observed that the management failed to recover an amount of Rs.9.893 million on account of rent from M/s Marigold Educational Society. PSM filed the case in court of law which was decreed in favor of the PSM. The Honorable court also directed the PSM to arrange the fresh addresses of the Judgment Debtor for issuance of notices for compliance of order.

But the management failed to do so. The detail is as under:

(Amount in Rs.)

Sr. No.	Premises / Land	Party Name	Rent Receivable
1	Makhdoom Bilawal Sec. School GH Phase-I	Marigold Educational Society	3,483,541
2	Rana Liaquat Ali Khan Girls School GH Phase-I	-do-	3,539,278

3	Muhammad Bin Qasim, School GH Phase-I	-do-	2,870,450
		Total	9,893,269

Audit is of the view that the management could not pursue the recovery case effectively. This indicates weak internal controls of management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. The management informed that matter is subjudice. DAC directed the management to pursue case vigorously.

Audit recommends implementation of DAC directives.

9.9.4.6 Non-recovery of outstanding dues from residents of township - Rs.4.820 million

According to Rule-10 (1) of GFR provides that every Public officer is expected to exercise the same vigilance in respect of expenditure incurred from the Public money as a person of Ordinary Prudence would exercise in respect of expenditure of his own money.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that residential estate section of township department failed to pay their dues amounting to Rs.0.762 million. Further, Internal Audit also reported that an amount of Rs.4.057 million was outstanding against outside parties of residential units. Thus, Rs.4.820 million was lying unrecovered. The detail is as under:

Sr. No.	Description of Allottees	Outstanding amount (Rs.)
1	Employees	763,527
2	Outsiders	4,057,400
	Total	4,820,297

Audit is of the view that the management could not pursue the recovery effectively. This indicates weak internal controls of management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. Management informed the DAC that non-recovery of outstanding amount against residential units of Township allotted to employees / others have been searched out. Notices have also been issued for the payment of outstanding amount. DAC directed the management to submit a revised reply and recovered amount be got verified from Audit and outstanding amount be recovered within 02 months. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.7 Loss due to encroachment of land

According to Chapter-V Rule-23 of GFR every Govt. Officers should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud or negligence on the part of any other Govt. Officer by his own action or negligence.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, it was observed that 344 acres PSM Township land was under encroachment. As per valuation report of M/s Iqbal A. Najee appointed by Privatization Commission the value of land under encroachment was Rs.3.44 billion (344 acres X 10 million = 3.44 billion). The detail of encroached land is as under:

Sr. No.	Description / Name	Area (Acres)
1	Abbasia Society	100
2	Mian Khan Goth	70
3	Photo Goth	134
4	Ali Akbar	15
5	Pir Sirhindi Goth	25
	Total	344

Audit is of the view that since 2007 to 2018 more than 11 years have been passed but PSM management has failed to remove the encroachment. This indicates weak internal controls and poor management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. Management informed that an inquiry has been conducted in this regard. DAC directed the management that recommendations of the inquiry Committee as already issued be implemented immediately under intimation to Audit. And take up the matter with the law enforcing agencies for early vacation of encroachment. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.8 Irregular payment of house rent allowance - Rs.21.380 million

According to Rule-10 (1) of GFR provides that every Public officer is expected to exercise the same vigilance in respect of expenditure incurred from the Public money as a person of Ordinary Prudence would exercise in respect of expenditure of his own money.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that management has allotted residential accommodation in Steel Town to the officers and Staff through Residential Estate Section of Township Department. Besides residential facility the management is paying them House Rent Allowance and deduction on account of the rent from residential accommodation is made at very nominal rate (Example shown at Annex-40). The actual HRA payment and deduction of the officer and staff for the month of June, 2018 is depicted below:

(Amount in Rupees)

Sr. No.	Description	Code	Paid Amount	Deducted Amount	Difference
1	HRA to Officer	640	7,311,382	4,418,142	2,893,240
2	HRA to Staff	2330	22,850,988	4,364,429	18,486,559
				Total	21,379,799

Audit is of the view that as per other Govt. owned organization / Corporations where housing facility is provided to employees, HRA + 5% of pay (maintenance charges) is deducted from salaries of employees.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to revise the rate of House Rent and get it approved from Board within 02 months. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.9 Excess of officers beyond approved rationalized strength

As a general establishment rule available strength/holding should not exceed the sanctioned strength/rationalization.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that officers in the cadre of XENs / DMs and AXENs / AMs were in excess than the approved limit. Hence, the prior to promotions of the officers in the next upper cadre/ grade, rationalized policies was not revised / revisited and the same was also not approved from the Board of Directors. The detail is as under:

Officer designation	Rationalization 2004	Holding	Difference
XENs/DMs	312	1638	1326
AXENs/AMs	794	1166	372

Audit is of the view that the working strength of officers is in excess than the rationalized policy which shows weak internal controls and poor financial management.

The matter was reported to the management in October 2018. DAC meeting was held on January 15, 2019. Management informed the DAC that appointments were made with the approval of BoD. DAC directed the

management to provide the BoD approval to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.10 Unjustified expenditures on medical treatment - Rs.22.848 million

According to Rule-10 (1) of GFR - provides that every Public officer is expected to exercise the same vigilance in respect of expenditure incurred from the Public money as a person of Ordinary Prudence would exercise in respect of expenditure of his own money.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, it was observed that an amount of Rs.22.848 million was incurred on treatment of employees from hospitals other than Pakistan Steel Hospital which is a full fledged 100 Beds Hospital having strength of 46 Medical Officers / Specialist and 273 well equipped Paramedical Staff. Thus the expenditure was held irregular.

Audit is of the view that in present severe financial crunch an amount of Rs.22.848 million incurred on medical treatment outside of PSH is a huge financial burden on the organization.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to reduce outsource payment and curtail the expenses and also provide details of payment made to each hospital.

Audit recommends implementation of DAC directives.

9.9.4.11 Allotment of vehicles to non-entitled persons resulting in un-justified expenditure - Rs.4.902 million

According to Govt. of Pakistan Finance Division's OM No. F.15 (13) R-14/82 dated September 5,1982 the funds provided, acquired or generated by the

autonomous/Semi-autonomous bodies and Corporation are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with prescribed rules and specific orders of the Government.

During audit of Pakistan Steel Mills (PSM) for the year 2016-17, it was observed that the management provided two vehicles to the Ministry of Production since 2010-11 to 2016-17 and incurred expenditure of Rs.5.87 million. The detail is as under:

Vehicle No.	Fuel in Qty (ltr per month)	Total Fuel Ltrs	Rate Rs. per Ltr	Total Fuel cost Rs.	Repair & Maint Rs.	Pay of Driver Rs.	Total Expenditure Rs.
GP-8989	223*84	18,732	72.22	1,352,825	170,000	800,000	2,322,825
PD-867 VIP Pool MI&P	375*84	31,500	72.22	2,274,930	196,650	108,000	2,579,580
	--	50232	72.22	3,627,755	366,650	908,000	4,902,405

The Ministry was not entitled to use PSM's vehicles in presence of its own budget therefore, the allotment of vehicles by the management to the Ministry was irregular and the expenditure incurred thereon amounting to Rs.4.902 million was un-justified.

Audit is of the view that the management extended undue favour to the Ministry.

The matter was reported to the management in October, 2017 and November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to submit revised reply to audit with justification of PSM decision to allot vehicle for use by Minister of Industries and Production. However, no progress was reported till finalization of this report.

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

9.9.4.12 Loss due to hiring of valuator for calculation of employees dues - Rs.2.00 million

According to Rule-10 (1) of GFR - provides that every Public officer is expected to exercise the same vigilance in respect of expenditure incurred from the Public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that in January 2018, management appointed M/s Horwath Hussain Chaudhry & Co. (Audit Firm) as valuator at the cost of Rs.2.00 million for valuation of outstanding dues of PSM's ex-employees. Despite having a full-fledged Account Department and Internal Audit, the management failed to assess the dues i.e. gratuity, pension etc. and outsourced the job which was quite unnecessary and unjustified. Extra expenditure so incurred may be got regularized and job description of Director Finance may also be produced to Audit.

Audit is of the view that the appointment of evaluator was showed inefficiency of the accounts department and poor financial management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide record of Board approval and advertisement for verification to audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.10 Pakistan Steel Fabricating Company (Pvt.) Limited

9.10.1 Introduction

Pakistan Steel Fabricating Company (Pvt.) Limited (PSFCL), a wholly owned subsidiary of the Pakistan Steel Mill Corporation (Pvt.) Limited, was incorporated on Jun 28, 1975 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The principal activity of the Company is the fabrication of steel structure, production of paints and other related activities.

9.10.2 Comments on Audited Accounts

9.10.2.1 The working results of the Company for the year 2015-16 as compared to the previous years are as under:

(Rs. in million)

	2014-15	% Inc / (Dec)	2013-14	% Inc / (Dec)	2012-13
Sales	119.274	21.641	98.054	(10.347)	109.370
Cost of Sales	(122.160)	(0.978)	(123.366)	22.655	(100.580)
Gross Profit/(Loss)	(2.885)	111.398	(25.312)	-	8.790
Administrative and general expenses	23.508	(9.088)	25.858	(1.117)	26.150
Financial charges	0.029	(9.088)	0.018	21.641	0.061
Other income	5.299	(46.803)	9.961	57.114	6.340
Profit loss before taxation	(21.226)	(48.618)	(41.310)	269.830	(11.170)
Taxation	23.478	-	(4.700)	-	0.191
Net profit/(loss) after taxation	2.251	-	(46.020)	319.126	(10.980)

(Source: Annual Audited Accounts)

The above working results disclosed that the sales of the company increased from Rs.98.05 million in 2014-15 to Rs.119.27 million in 2015 which was increased by 21.64%. Further net loss after taxation was Rs.46.02 million as on June 30, 2014 as compared to Rs. 2.252 million during the current year.

9.10.2.2 The Company has steadily increased its sales over the years whereas the cost of sales did not significantly increase. Administrative expenses decreased by 9.08% as compared to previous year. Company registered net profit after tax for Rs.2.251 million in 2014-15 as compared to net loss for Rs.46.020 million in 2013-14.

9.10.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1990-91	8	7	1	708	88
1995-96	12	10	2	151, 146	83
1999-00	3	1	2	228,230	33
2003-04	6	5	1	96.4	83
2006-07	2		2	102.2, 102.3	-
2009-10	6		6	Annex-i Item 10,113,113.1,113.2,113.3,113.4	-
2010-11	4	3	1	11.4.4.1	75
2013-14	5	2	3	8.8.2.1, 8.8.2.2, 8.8.3	40
Total	46	28	18	-	61%

The overall compliance of PAC directives needs improvement.

9.10.4 Audit Paras

9.10.4.1 *Embezzlement of amount of advance against the work orders - Rs.3.216 million*

According to para-23 of GFR every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part.

During audit of Pakistan Steel Fabricating Company Ltd. (PSFCL) for the years 2016-17 & 2017-18, it was observed that the management drawn advance payments against various Purchase Orders (PO) amounting to Rs.3.216 million

issued by Pakistan Steel Mills during the years 2015 to 2016 for the supply of material (paint / distemper). Detail is as under:

Sr. No	P.O.No	Scheduled date of delivery	Order Qty.		Delivered Qty.	
			Paint (Ltr)	Distemper (K.G)	Paint (Ltr)	Distemper (K.G.)
1	448 dt:09-01-2015	07-07-15	2,540	-	540	-
2	434 dt:05-01-2015	03-07-15	2,625	-	242	-
3	677 dt:19-03-2015	14-09-15	5,400	30,150	0	192
4	683 dt: 24-03-2015	19-09-15	40	-	0	-
5	793 dt: 16-04-2015	12-10-15	-	18,645	-	0
6	106 dt: 31-07-2015	27-01-16	1,170	-	0	-
7	085 dt: 30-07-2015	26-01-16	1,740	96	0	0
8	159 dt: 17-08-2015	13-01-16	1,560	-	0	-
9	107 dt: 31-07-2015	27-01-16	1,500	-	0	-
10	158 dt: 17-08-2015	13-01-16	780	-	0	-
11	445 dt:10-12-2015	06-06-16	500	-	0	-
12	473 dt: 30-12-2015	30-06-16	120	1878	0	0
13	575 dt:10-03-2016	09-03-16	400	-	0	-
14	549 dt: 29-04-2016	28-04-17	500	-	0	-
15	559 dt: 09-05-2016	08-05-17	53	-	0	-
Total			18,928	50,769	782	192

It is evident that during the period PSM issued 15 Purchase Orders for the supply of 18,928 Ltr paint and 50,769 K.G.distemper. Against this, PSFCL delivered 782 Ltr. paint and 192 K.g. distemper to PSM. This resulted in loss of Rs.3.216 million.

Audit is of the view that management failed to safeguard the interest of the company and undue favour was extended to the officials involved in embezzlement. This indicates weak internal controls.

The matter was reported to the management in December, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that the advance received from PSM used for procurement of raw material which was lying at stores and could not be processed due to financial constraints. The DAC

directed the Acting CFO of PSM to enquire in to the matter and intimate the factual position. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.10.4.2 Non-recovery/non-adjustments of outstanding balances/advances – Rs.149.349 million

As per Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013 the Chief Executive is responsible for the management of a public sector company and for its procedures in financial and other matters, subject to the oversight and directions of the Board. Responsibilities of CEO include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Fabricating Company Ltd. (PSFCL) for the years 2016-17 & 2017-18, it was observed that the management failed to recover from the debtors and adjust advances to suppliers amounting to Rs.149.349 million. Detail is as under:

Sr. No.	Particulars	Amount (Rs.) as on 30-06-2016
Non-recovery from Debtors		
1	Pak Steel Mills Corporation	53,803,054
2	Others	4,844,517
3	SSGC	1,339,410
4	PECO	1,952,476
5	CDGK	20,993,714
6	M/s. G.M. Engineering	1,200,000
Non-Recovery of Earnest Money		
7	Utility Store Corporation	450,000
8	State Bank of Pakistan	843,694
9	Port Qasim Authority	6,108
10	Railcop Corporation	584,680

Non-adjustment of Advances		
11	Advances to 61 parties	63,331,000
	Total	149,348,653

Audit requested the management through a Requisition dated November 27, 2018 to provide ageing of the receivable amount but no reply was received from the management till close of audit.

Audit is of the view that the management failed to recover/adjust advances/receivables amounting to Rs.149.349 million due to its slackness.

The matter was reported to the management in December, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that efforts were being made to resolve disputed issue for adjustment / recoveries. The DAC directed the management that the position of adjustment / recoveries may got verified by audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.10.4.3 Mis-appropriation of stock - Rs.92.533 million

According to Rule (5)(a)(i) of Public Sector Corporate Governance Rules 2013, the Board of Directors shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During the audit of accounts of Pakistan Steel Fabricating Company Ltd. for the years 2016-17 & 2017-18, it was observed that stock-in-trade valued at Rs.92.533 million was retained at different shops/stores as shown in financial statements as on June 30, 2015.

Audit personally visited PSFCL's shops and store to verify the existences of stock. In this regard audit randomly checks some bin cards which were not updated since 2014. It is also pointed out that audit requested to the management to provide the relevant record for examination through Requisition No. 03 & 08 dated 27-11-2018 & dated 06-12-2018 but no record received till close of audit.

Audit is of the view that in absence of completion of transactions in the bin cards/stock register etc. there are chances of mis-appropriation of the stocks valuing Rs.92.533 million.

The matter was reported to the management in December, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that it was not mis-appropriation but due to the non-updating of the bin cards the material could not be issued from stores. The DAC directed the management to ensure that updating of bin cards would be completed within 30 days and get the position verified. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.10.4.4 Loss due to short recovery - Rs.14.187 million

According to para-23 chapter -2 of GFR every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part.

During audit of Pakistan Steel Fabricating Company Ltd. (PSFCL) for the years 2016-17 & 2017-18, it was observed that a project for installation of metal beam, guard rail of Motorway (M-2) was awarded to M/s. PSFCL in 1997-98. Total cost of the project was Rs.166.192 million, out of which an amount of Rs.127.581 million was received leaving a balance of Rs.38.612 million which could not be recovered upto 2017.

In August 01, 2017 a meeting was held in the office of Member (Finance) NHA to resolve the long outstanding issue and it was decided to pay Rs.26.698 million as final payment to M/s. PSFCL. However, management only received Rs.24.425 million instead of Rs.26.698 million.

Audit is of the view that actual claim of M/s. PSCL was Rs.38.612 million that was reduced upto Rs.26.698 million. Resultantly, a loss of Rs.14.187 million was suffered by PSFCL which needs to be justified.

The matter was reported to the management in December, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that the long outstanding issues were resolved by NHA and NHA & PSM agreed on amount of Rs. 26.698 million. After deduction of taxes, an amount of Rs.22.80 million was received. The DAC directed that the actual terms & conditions of contract be got verified by audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.11 Pakistan Machine Tool Factory (Pvt.) Limited

9.11.1 Introduction

Pakistan Machine Tool Factory (Pvt.) Limited (PMTF) was established with technical collaboration of M/s. Oerlikon Buhle of Switzerland. It was incorporated on Jul 23, 1974 as a private limited company under the Companies Act, 1913 (now Companies Ordinance 1984). The Company is engaged in manufacturing and marketing of machine tools, transmission components for trucks and tractors, die-casting and other classified defence based products. PMTF is wholly owned by the Government of Pakistan and its working is controlled through State Engineering Corporation (Pvt) Limited.

9.11.2 Comments on Audited Accounts

9.11.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.11.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2007-08	7	3	4	82.1, 82.2, 82.4& 82.7	43
2009-10	5	2	3	121.1, 121.3& 122	40
2013-14	9	5	4	8.20.3, 8.20.4.3, 8.20.4.4& 8.20.4.5	56
Total	21	10	11	-	48%

The overall compliance of PAC directives needs improvement.

9.11.4 Audit Paras

9.11.4.1 Loss due to non-installation of Separate K-Electric meters - Rs.7.350 million

Clause-5 of Public Sector Companies (Corporate Governance) Rules, 2013 states that, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Machine Tool Factory (PMTF), Karachi for the year 2015-16 it was observed that the PMTF is maintaining the staff and officers houses comprises of 178 Nos. and 14 Nos. respectively. He further informed that due to continuous increase in electricity tariff and old age existing network the monthly loss on average is Rs.6,12,500/-.

Reasons for losses:

1. Tariff charged by K-Electric is higher than that from residents.
2. Line losses.
3. Slowness of meters (about 60%)
4. Meter tempering at consumers ends.

Pay back period

1. Monthly Loss Rs.612,500/-
2. PMTF estimated investment for switchover present system (this investment may vary actual cost will be determined after survey of K-Electric's. Rs.6 million.

MD suggested that existing network of PMTF residential colony may hand over to K-Electric as a replacement of the system which will save Rs. 7.35 million per year after payback period of one year and K-Electric will provide relief to PMTF.

The Boards defer the matter for installation of electric meters by K-Electric in residential home.

The matter was reported to the management in August 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that around 130 meters have already been installed in PMTF colony and they were pursuing for the remaining. DAC directed the management to expedite the matter within one month. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.11.4.2 Irregular procurement of vehicles - Rs.5.100 million

As per Finance Division Office memorandum No.7 (1) Exp-IV/2014 dated September 9, 2014, stated that there will be complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies.

During audit of Pakistan Machine Tool Factory (PMTF), Karachi for the year 2015-16 it was observed that PMTF, Karachi purchased (05) vehicles during the ban period and without approval of the Finance Division. The detail is as under:

Sr. No.	Vehicle & Registration No.	Quantity	Amount (Rs.)
1	Mehran Car 800cc VXR	01	700,000
2	Bolan Van (High roof)	01	700,000
3	Cultus 1000 cc VXR	02	20,000,000
4	Toyota car 1300	01	17,00,000
		Total:	Rs.5,100,000

Audit is of the view that payment of Rs.5.10 million on account of procurement of vehicles was irregular as procurement was made in violation of above rules.

The matter was reported to the management in August, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to regularize the procurement of vehicles from the Finance Division through MOI&P. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

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9.12 ENAR Petrotech Services (Pvt.) Limited

9.12.1 Introduction

The Company was incorporated in July, 1974 as a private limited company and is working under the Ministry of Industries and Production. The Company provides complete range of services including design engineering project management, construction supervision, operational and management services for executing projects in oil and gas sector. The Company also offers project development / planning services and undertakes sectoral/feasibility studies, technology evaluations and environmental impact assessments.

9.12.2 Comments on Audited Accounts

9.12.2.1 The organization is included in Annex-2: Non-submission of Audited Accounts

9.12.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	18	2	16	8.18.2.1, 8.18.2.2, 8.18.2.3, 8.18.2.4, 8.18.2.5, 8.18.2.6, 8.18.2.7, 8.18.3, 8.18.4.1, 8.18.4.2, 8.18.4.3, 8.18.4.4, 8.18.4.5, 8.18.4.6, 8.18.4.7& 8.18.4.8	11
Total	18	2	16	-	11%

The overall compliance of PAC directives needs improvement.

9.12.4 Audit Paras

9.12.4.1 Mis-utilization of funds - Rs.6.00 million

According to Finance Division OM No.F-15(13) R-14/82 dated Sep 05, 1982 “the funds provided, acquired or generated by the Autonomous/Semi-Autonomous Bodies and Corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution.”

During audit of ENAR Petrotech Services Limited (EPSL) for the year 2015-16, it was observed that the management instructed Habib Metropolitan Bank Ltd., Karachi (HMBL) to issue a Pay Order amounting to Rs.6.000 million in favour of EPSL on May 30, 2016. The record revealed that the Pay Order was kept by the EPSL for about one month and then deposited in to the same bank i.e. HMBL, Karachi on June 27, 2016.

Audit is of the view that keeping of funds in shape of PO to the tune of Rs.6 million without any purpose was irregular.

The matter was reported to the management in October, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to provide the relevant record for verification of facts by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.12.4.2 Irregular payment on account of car maintenance - Rs.5.67 million

According to adopted and approved rules NRL by EPSL in respect of Perquisites dated Nil, Section-(4) “ The Petrol of 235 liters Per Month and maintained amounting to Rs.3000/- Per Month will be provided to Executive”.

During audit of ENAR Petrotech Services Limited (EPSL) for the year 2013-14 & 2014-2015, it was observed that the management paid car maintenance allowance @Rs.3000 per month to officers for allocated vehicles, but expenditure of Rs.3.51 million was also incurred on maintenance of same vehicles without any justification

Audit was of view that undue favour was extended to the officers at the cost of company, which shows poor financial management.

The matter was reported to the management in October, 2015 and November, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that payment of Car maintenance allowance had not been paid to those employees who were provided company maintained car. DAC directed the management to provide the relevant record for verification of facts by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.12.4.3 Irregular payment to security guards -Rs.1.388 million

As per clause (d) of Rent Agreement, ENAR Petrotech Services Limited (EPSL) as tenant would pay 50% charges per month for Security Guards to PERAC Research and Development Foundation (PRDF) owner of the building.

During audit of EPSL for the year 2015-16, it was observed that the management awarded a contract amounting to Rs.1.388 million for hiring the services of armed security guards at PERAC Research and Development Foundation's (PRDF) building premises.

Audit is of the view that the management had violated the agreement clause because EPSL was the tenant of PRDF, Karachi and as per agreement it was the responsibility of PRDF to hire the services of armed guards and then ENAR would pay only 50% of the security guards charges. Because of this

company suffered an expenditure amounting to Rs.1.388 million which is treated irregular, unjustified and wasteful.

The matter was reported to the management in October, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to provide the relevant record for verification of facts by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.12.4.4 Non-recovery of Emergency loan – Rs.1.31 million

As per authority No.16 of Statement of Authority of Board of Director and Chief Executive, BoD is competent to give emergency loan of ENAR employees. Further as per Para-2.2 & 2.4 of emergency loan policy, the limit of the loan amount will be 06 basic pay (on date of payment) subject of maximum of Rs.300,000 only and the employees, who claimed the staff loan for the first time, will be granted interest free loan, to be paid back in 24 months. However, after first loan, further loan will be granted on applicable interest rate i.e. KIBOR, prevailing at the date of approval of loan.

During audit of ENAR Petrotech Services Limited (EPSL), for the year 2013-14 and 2014-15, it was observed that management granted emergency loan of Rs.1.31 million Contractual permanent employees. The loan disbursed in 2012 without approval of the Board and was not received after lapse of more than 3 years.

Audit is of the view that undue favour was extended to the employees due to negligence and inefficiency poor financial controls.

The matter was reported to the management in October 2015 and November, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that emergency loan had been fully recovered in

subsequent years. DAC directed the management to provide the relevant record for verification of facts by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

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9.13 Technology Up-gradation and Skill Development Company

9.13.1 Introduction

Technology Up-gradation and Skill Development Company (TUSDEC) is a Company incorporated in January 2005 and licensed under Section 42 of the Companies Ordinance 1984. The principal activity of TUSDEC is to upgrade technology & skills of the key and strategic Industrial Clusters and connect Pakistan to the global value chain. TUSDEC is a subsidiary of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC). The principal office of TUSDEC is located at State Cement Corporation Building, Kot Lakhpat, Lahore.

9.13.2 Comments on Audited Accounts

9.13.2.1 The working results of the company for the year 2017-18 as compared to previous years were as under:

(Rs in million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Income	67.07	42.46	47.08	11.17	41.82
Salaries, remuneration & benefits	71.72	43.67	49.92	2.32	48.76
Travelling & conveyance	5.99	38.98	4.31	14.62	3.68
Depreciation	27.22	161.57	10.40	(28.85)	13.40
Others	27.93	37.58	20.30	3.79	19.53
Total expenditure	132.86	56.43	84.93	(1.01)	85.79
Excess of expenditure over income	(65.79)	13.67	(37.85)	13.92	(43.97)
Other income	7.53	72.31	4.37	(43.68)	7.76
Accumulated Deficit	308.06	124.55	137.19	32.28	103.71
Surplus/ (deficit) for the year	(170.87)		(33.48)		(36.21)

(Source: Annual Audited Account)

Excess expenditure increased to Rs 65.79 million during 2017-18 from Rs 37.85 million during 2016-17, i.e. 13.67% increased. Management was required to explain the reasons for further increase in expenditure.

9.13.2.2 The amount of income tax withheld by the banks from profits on deposits accounts and Terms Deposits Receipts (TORs) increased to Rs 20.13 million in 2017-18 from Rs 9.19 million in 2016-17, registering an increase of 119%. The management was stressed upon to make vigorous efforts for clearance of these dues from government.

9.13.2.3 Two companies, namely Gujranwala Tools Dies and Molds Centre (GTDMC) and Ceramics Development and Training Complex, (CDTC) were amalgamated into TUSDEC. Management is required to intimate the future course of action with reference to performance of these new projects after amalgamation.

9.13.2.4 Prepayments & other receivables increased to 118.78% from Rs 5.69 million in 2016-17 to Rs 12.45 million in 2017-18. The reasons for this abnormal increase may be intimated besides effecting their early recovery.

9.13.2.5 The expenditure on projects in progress increased by 42.174% to Rs 621.14 million in the year 2017-18 from Rs 436.89 million in 2016-17. The increasing trend was indication of delay in completion of projects. Reasons of increase along with detail of projects in progress may be provided.

9.13.2.6 Trade receivables & others increased to Rs 9.34 million in 2017-18 from Rs 0.16 million in 2016-17 registering an increase of 5701%. The management was required to explain the reasons for such abnormal increase in trade receivables and make efforts for their early recovery.

9.13.2.7 An amount of Rs 2.88 million was shown as short-term advance to suppliers in the year 2017-18. Latest status of short-term advance to suppliers may be shared with audit.

9.13.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14				8.10.1& 8.10.2.1,8.10.2.2,8.10 .4.1, 8.10.4.2, 8.10.2.3,8.10.2.4,	-
Total	06	-	06		-

The compliance of PAC directives was very poor which needs immediate attention of the PAO.

9.13.4 Audit Paras

9.13.4.1 Irregular organization of events without tendering - Rs 5.58 million

According to Rule-12 (2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the audit of TUSDEC for the years 2015-17, it was observed that the management did not follow PPRs when it made agreements with institutes for organizing different events. Thus, management left project funds at the discretion of the second party which incurred expenditure of Rs 4.919 million without calling tenders.

Audit was of the view that by avoiding the tender process, undue favour was extended to different parties and the company was deprived of the benefit of competitive rates. The management should have determined the annual requirements and procured the services after tendering.

During DAC meeting held on January 11, 2019, Audit pointed out that the said expenditures were incurred on the scheduled seminars, workshops, conferences etc. and all the components of expenditures were recurrent in nature. This practice was adopted by the management only to avoid PPRA Rules/Tender procedure. Management explained that the said expenses were not recurrent in nature and the expenses were incurred on different 25 location where these workshops/Seminars were conducted. The DAC directed to get the record verified from audit within two days. The requisite verification was not facilitated by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.13.4.2 Irregular appointment of External Auditors - Rs 1.11 million

According to Finance Division's O.M. No. F.3(1)-Inv. III/80-406 dated March 25, 1981, where appointment of Chartered Accountant Firm was to be made by the Government, before submitting the name of the auditor(s) for approval of the Board of Directors, the institution should get the approval of Auditor General of Pakistan.

During the audit of TUSDEC for the years 2015-17, it was observed that the management hired the services of Chartered Accountants without obtaining mandatory approval from office of the Auditor General of Pakistan, Islamabad. The hiring of Chartered Accountant Firms and payment of Rs 1.11 million for the years 2015-16 & 2016-17 and engaging the services of M/s EY Ford Rhodes (engagement partner) for TUSDEC Head Office, M/s Horwarth Hussain Chaudhary & Co for CTDC and M/s Ch Safqat Ali & Co for GTDMC without the approval of AGP was held irregular.

Audit was of the view that as the management hired its external auditors without the consent of Auditor General of Pakistan in violation of Govt. instructions therefore, payment of Rs 1.11 million to the auditors was considered irregular.

The DAC during its meeting held on January 11, 2019, directed the management to observe all rules & regulations.

Audit recommends compliance of the DAC directive.

9.13.4.3 Irregular appointment of the Manager Design & Development – Rs 6.50 million

According to Job Vacancy Statement for the post of Manager Design & Development, “the candidate should have a degree of B.E, 7-10 years’ experience in CAD/CAM and have a command on design software like CATIA, DEL CAM, PRO-T etc.

During the audit of TUSDEC for the years 2015-17, it was observed that Mr. Zaki-ur-Rehman was appointed as Manager Design & Development in GTDMC at monthly salary of Rs 100,000 without advertisement. The candidate appointed against the said post had qualification of DAE (equivalent to intermediate) instead of BE (Bachelor of Engineering). Neither formal appointment letter was issued to the officer nor it was available in his personal file. Therefore, the said appointment was held irregular. The officer was paid Rs 6.50 million as salary w.e.f. February 2012 to June 2017. Furthermore, the management did not verify academic and experience certificates of the officer.

Audit was of the view that undue favor was granted which should be enquired at Ministry level.

During DAC meeting held on January 11, 2019, the DAC directed to fix responsibility.

Audit recommends compliance of the DAC directive.

9.13.4.4 Irregular appointment of Chief Executive Officer – Rs 5.55 million

According to advertisement published in newspapers for the post of Chief Executive Officer the required qualification and experience was Bachelor's Degree in Mechanical Engineering or MBA and preference would be given to holders of Bachelor degree in Mechanical Engineering with MBA. Further the candidate should have vast experience of management and the well aware of the technological and related skills needs of the country. Candidate should have at least 10 years of experience with a minimum of 5 years in senior management position.

During the audit of TUSDEC for the years 2015-17, it was observed that Mr. Muhammad Awais was appointed as Chief Executive Officer in GTDMC at monthly salary of Rs 0.25 million on January 18, 2016 without having relevant qualification and experience. In the BoD meeting, it was also decided to hire a person having engineering background for the post of CEO. As per CV, Mr. Awais was holding degree of MBA Marketing from Preston University (black-listed by HEC in 1998) instead of engineering degree. No evidence/certificates in support of education and experience was found in the personal file/record of the officer. Thus due to irrelevant qualification and less experience without support of degrees/certificates the appointment was held irregular. The officer worked irregularly in GTDMC as CEO till September 29, 2017 for a period of 22 months and during his stay, he received salary of Rs 5.50 million which was also held irregular.

Audit was of the view that undue favor was extended to the officer instead of observing merit.

During DAC meeting held on January 19, 2019, the management explained that the appointment was made as per requirements published in the advertisement, "as Bachelor's Degree in Mechanical Engineering or MBA may apply". The appointed candidate had a degree of MBA. Audit contended that no academic and experience record was available either during audit or during

verification. The DAC directed to get the record verified from audit within two days. The requisite record was not provided by the management till the finalization of this report.

Audit recommended compliance of the DAC directive.

9.13.4.5 Unjustified payment to private training institutes despite poor monitoring results - Rs 25.80 million

According to terms of contract agreement Appendix-II of Business Rules, violations & penalties which will be imposed in case of violations during visits by PFU- M&E Team, a financial penalty of up to 50% on invoiced amount was to be imposed. As per agreement, 80% of training cost would be divided by the number of training months and paid via monthly invoice on the basis of eligible enrolment, satisfactory attendance and performance of the trainees, and remaining 20% would be paid after satisfactory conclusion of on job training (OJT).

During the audit of TUSDEC for the years 2015-17, it was observed that the management conducted the physical verification of the institutes providing services in different trades, selected under European Community Project. Thirteen (13) institutes were not providing training services as per contract agreements despite directions of the Monitoring and Evaluation teams. However, management did not consider the recommendations /remarks and continued payments to the institutes having poor performance and un-satisfactory attendance record. An amount of Rs 25.80 million was paid without observing contract clauses and without deduction of OJT from the invoices of the institutes.

Audit was of the view that the management was required to take action in the light of detailed remarks of Physical Assessment Committee but no action was taken against the institutes and payment released was held irregular.

During DAC meeting held on January 11, 2019, Audit pointed out that the subject amount was disbursed to the training institutes which had poor performance, fake training activities, non-availability of trainers and trainees and non-availability of equipments etc. highlighted by the monitoring & inspection team. Management explained that the penalties had been imposed on the said institutes. The DAC did not accept the view point of the management and directed to probe the matter at Ministry level.

Audit recommends compliance of the DAC directive.

9.13.4.6 Fictitious payment of stipend to trainees under PSDF Scheme - Rs 1.08 million

According to Rule-2 of Business Rules, Appendix-B of Punjab Skill Development Fund, in case of missing unverified CNICs, PSDF will withhold training cost of such trainees since inception. The same amount will be released only when PSDF receives valid CNICs for such trainees.

During the audit of GTDMC Gujranwala for the years 2015-17, it was observed that the management paid an amount of Rs 1.08 million to students of different trades whose CNICs were not entered with the payment vouchers when examined on test check basis. Hence, these payments were made without verification of CNIC in violation of the above-referred criteria.

Audit was of the view that the figure of Rs 1.08 million has been taken on sample basis and consists of one year data i.e. 2015-16 therefore, the chances of fake payments made in previous years cannot be ruled out. In some cases the names of students were entered /written by hand without CNICs. Thus, the process of such disbursements under Punjab Skills Development Fund (PSDF) could not be termed fair and transparent and the payment made during the year was held fictitious.

During DAC meeting held on January 11, 2019, Audit pointed out that names of the students without CNIC numbers were inserted with pen at the

bottom of system-generated reports, which creates ambiguity. The management explained that no payment was made without the registration/verification of CNIC and all the record was available. The DAC directed the management to get the record verified by audit within 2 days. The requisite record was not provided for verification to audit till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.13.4.7 Non-conducting of technical inspection of idle/out of order machines - Rs 333.73 million

According to agenda item-I of 18th BoD meeting held on December 31, 2015, BoD members suggested a technical report on idle machines to be prepared for which a technical team may be constituted to prepare the report after third party evaluation.

During the audit of TUSDEC for the years 2015-17, it was observed that major machines of GTDMC were out of order since inception, which affected the operation of the center. The said situation/scenario also indicated an alarming situation regarding doubtful existence of complete structure and parts installed in the said machines valuing Rs 333.73 million. A case of leakage/theft of machine part by the technician Mr. Tehmas Fiaz was also observed. During visit of machine hall and surrounding lobby, the Maintenance Engineer also pointed out that four out of five generators were out of order and most parts of these faulty generators were missing even before his appointment. Moreover, the logbook/work load and work utilization sheet of the running machines were not produced to audit. At this stage, a detailed technical inspection needs to be conducted by the Ministry for all machines.

The DAC in its meeting held on January 11, 2019, directed to probe the matter at Ministry level and a certificate regarding current status of machines about their functionality may be produced. The requisite probe was not carried out till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.13.4.8 Doubtful/fake inspection reports of machines – Rs 16.49 million

According to Schedule-D of the General Clause of the Contract under heading Installation/Commissioning, “Installation/Commissioning & training of all above machines will be completed within 1 or 2 weeks from the date of delivery”.

During the audit of TUSDEC for the years 2015-17, it was observed that the management issued purchase order/Letter of Intent No. 1064 dated May 30, 2016 and No. 1284 dated December 13, 2017 to the vendors M/s K.M. Enterprises and M/s Waseer Impex for supply of Induction Hardening Machinery and Electro Plating Equipment valuing Rs 7.24 million and Rs 5.48 million respectively. As per clause 26.2 and Schedule-D of contract agreement, buyer (TUSDEC) was bound to conduct inspection of machinery according to the specification within one or two weeks from the date of the delivery. On April 19, 2017, a letter was issued by M/s K.M Industries to TUSDEC regarding expected delivery schedule of Induction Hardening Machine till April 21, 2017. An office note was also submitted by Manager Technical intimating that the said machine was delivered and commissioned at site on April 21, 2017.

However, as per Delivery Note dated August 23, 2016, the machine was delivered on August 23, 2016 and as per inspection report, the machine was also inspected on August 29, 2016, which was contradictory. Moreover, as far as electroplating equipment was concerned, two inspection reports of the same machine on the same date were found. The first report dated December 18, 2017 indicated that the machine was not installed, while second inspection report indicated that the machine was installed/commissioned successfully and operational training was also provided to the staff. Furthermore, an inspection report was also found indicating an advance date of inspection i.e November 25, 2018, which was not yet arrived. This resulted in fake inspection against purchase order No. 1280 to M/s EES for supply of four modules valuing Rs 3.771 million.

Audit was of the view that due to internal controls weakness, fake inspection reports were prepared which was held irregular.

The DAC in its meeting held on January 11, 2019 directed to probe the matter at Ministry level. The requisite probe was not carried out by the ministry till the finalization of this report.

Audit recommends compliance of the DAC directive.

- 9.13.4.9 i Commissioning of machine with expired warranty–
Rs 18.22 million**
- ii Commissioning of machines having warranty near to expiry –
Rs 17.07 million**

According to Clause 28.3 of GCC of the contract agreement, the supplier will furnish a full comprehensive warranty certificate, certifying that the goods supplied conform exactly to the specifications laid down in the contract. The one year warranty period will commence from the date of commissioning of the machine or 14 months from the date of delivery at site, whichever comes first. Moreover, according to Schedule-D of the General Clause of the Contract under heading Installation/Commissioning, “Installation/Commissioning & training of all above machines will be completed within 1 or 2 weeks from the date of delivery”.

During the audit of TUSDEC for the years 2015-17, it was observed that the machines with expired warranty valuing Rs 18.216 million and machines having a warranty near to expiry valuing Rs 17.07 million were installed in ESCs project at Light Engineering Unit Center (LEUC). The said machines remained idle even after lapse of more than 12 months from the date of delivery. The TUSDEC management was bound to get commissioning /installation of Machinery within 1 or 2 week after the delivery date. The installation of machines with expired warranty valuing Rs 18.22 million and machines having warranty near to expiry valuing Rs 17.07 million was held irregular by audit and needs justification.

Audit was of the view that due to weak internal controls TUSDEC management could not get the machines commissioned within given timelines which resulted into irregular payments.

The DAC in its meeting held on January 11, 2019 directed to probe the matter at Ministry level and a certificate be submitted through Ministry regarding smooth functioning of machines. The requisite probe was not carried out by the ministry till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.14 Pakistan Hunting and Sporting Arms Development Company

9.14.1 Introduction

Pakistan Hunting and Sporting Arms Development Company is a Company limited by guarantee having share capital duly incorporated under Section 42 of the Company Ordinance, 1984 on September 29, 2006. The Company obtained the requisite certificate of business under Section 146(2) of Companies Ordinance 1984 and was thus entitled to commence business with effect from April 25, 2007. The Company was formed with the primary objective to uplift, develop and build hunting and sporting sector of Pakistan for exports and commercial activities with a view to generate foreign exchange and to develop quality and capacity to eventually compete in the international market. The registered office of the Company is situated at Ground Floor, State Life Building, The Mall, Peshawar.

The Company is a subsidiary of PIDC and fully owned by the GoP and has paid-up capital of Rs 86.49 million. The Company is working under the administrative control of Ministry of Industries and Production.

9.14.2 Comments on Audited Accounts:

9.14.2.1 The working results of the Company for the year 2017-18 as compared to previous years are given below:

(Rs in million)

	2017-18	% Inc / (Dec)	2016-17	% Inc / (Dec)	2015-16
Income from Training Center (CFTC)	3.80	782.37	0.43	-	-
Profit on investment	0.11	-	-	-	2.78
Profit on Bank Account	1.87	177.63	0.67	6.30	0.64
Other income	1.21	-	-	-	2.05
Total income	6.99	532.19	1.11	(79.78)	5.47
Administrative expenses	23.02	21.28	18.98	32.65	14.31

Marketing expenses	0.33	(87.50)	2.60	(35.37)	4.02
Financial expenses	0.09	2,900.00	0.03	(91.43)	0.04
Total Expenditure	23.433	8.57	21.58	17.52	18.37
(Deficit) of income over expenditure	(16.44)	(19.71)	(20.47)	58.77	(12.90)
Actuarial (loss)/gain	(0.52)	(242.58)	0.36	-	-
(Deficit) for the year	(16.96)	(15.68)	(20.11)	55.95	(12.90)
Accumulated deficit	150.08	(212.74)	(133.12)	17.80	(113.01)

(Source: Annual Audited Accounts)

The Company incurred total expenditure of Rs 23.43 million as against the total income of Rs 6.99 million resulting in deficit of Rs 16.44 million in the year 2017-18. Although the company has generated an income of Rs 3.80 million from Common Facility Training Center (CFTC), yet there is a huge gap between the income and expenditure. No income was earned from sale/export of hunting arms, which was the major objective of establishment of the company. The other main source of income was profit on bank accounts, which could cover only a small fraction of its expenditure. The management must justify the non-operation and failure to achieve its objectives of foreign exchange generation. Serious efforts may be made to generate revenues from the operations; otherwise, audit would recommend the liquidation of the Company.

9.14.2.2 Accumulated deficit increased to Rs 150.08 million in 2017-18 as compared to Rs 133.12 million in 2016-17. The continuous losses and accumulation of huge deficits indicated serious doubts about the Company's ability to continue as a commercial concern.

9.14.2.3 Company started procurement/installation of plant and machinery in 2015-16. During the year 2016-17, an addition of Rs 31.41 million and in 2017-18, an addition of Rs 1.00 million was shown in Plant & Machinery, which showed a very poor pace of work. No production from this plant was started for last three years. Slow pace of work and non-commencement of production need justification alongwith fixation of responsibility for such low performance.

9.14.2.4 Capital work in progress showed an amount of Rs 1.87 million as final settlement with M/s KM Enterprises for purchase of universal milling machine, which was subsequently rejected. Detailed record, alongwith penalties imposed for this settlement, may be provided to audit.

9.14.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	06	01	05	8.15.2.3,8.15.2.2, 8.15.2.4,8.15.2.5, 8.15.2.6	17
Total	06	01	05		17

Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.15 Furniture Pakistan (Pvt.) Limited

9.15.1 Introduction

The Furniture Pakistan Company is limited by guarantee and was incorporated on August 06, 2007 under Section-42 of the Companies Ordinance, 1984 (now Companies Act 2017). The company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Pvt) Ltd (PIDC), Ministry of Industries & Production. The registered office of the company is situated at 4-A Lawrence Road, Lahore. The overall objective of the company is to promote, develop and upgrade furniture sector of Pakistan and to strengthen and support the technical capabilities thereof to enhance competitiveness of the sector.

9.15.2 Comments on Audited Accounts

9.15.2.1 The working results for the year 2017-18 as compared to the previous years are as under:

(Rs in million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16 (restated)
Income					
Profit on bank accounts	2.12	436.62	0.40	(12.97)	0.45
Income from projects	2.74	82.31	1.5040	(27.06)	2.06
Gain on disposal of fixed asset	0.54	-	-	-	-
Other income	0.11	(62.79)	0.30	100	0
Total income	5.52	150.84	2.20	(12.55)	2.52
Expenditure					
Salaries & Wages	16.24	(1.28)	16.45	(51.76)	34.10
Advertisement	0.40	(45.47)	0.74	(35.68)	1.15
Legal & professional charges	0.71	(2.22)	0.72	(44.20)	1.29
Other expenses	36.94	13.57	32.53	(19.71)	40.51
Total expenditure	54.29	7.63	50.44	(34.54)	77.06
Surplus/ (deficit) for the year	48.77	1.10	(48.24)	(35.29)	(74.54)

(Source: Annual audited accounts)

The company continued to be in deficit from 2013-14 to 2017-18. In 2017-18, the deficit was at Rs 48.77 million. Efforts need to be made to further reduce the deficit to make the company a going concern.

9.15.2.2 Cash deposits with commercial banks in current accounts increased from Rs. 8.81 million in 2016-17 to Rs. 42.30 million, carrying 3% to 3.5% markup as on June 30, 2018. The management was required to determine its working balance requirements and investment of surplus funds in the light of Finance Division (Budget Wing) Office Memo No.F.4(1)/2002-BR.II, dated: July 02, 2003 at better interest rates but no such action was taken by the management, which may result in loss of interest income. This needs explanation.

9.15.2.3 As per Statement of Income and Expenditure for the year ended June 30, 2018, management incurred an expenditure of Rs. 1.83 million on technical assistance. The nature of the expenditure along with the benefits may be elaborated.

9.15.2.4 The Capital Work in Progress was Rs 69.31 million as on July 01, 2017, which increased to Rs. 114.65 million as on June 30, 2018. Early completion of the building / plant & machinery was stressed upon the management.

9.15.2.5 As per Statement of Financial Position as June 30, 2018, tax refund due from Government increased from Rs 3.05 million during the year 2010-11 to Rs 6.42 million during the year 2017-18. Previously, the company had exemption certificate under section 2 (36) of Income Tax Ordinance, 2001 and tax payable was subject to 100% tax refund under section 100(C) of the Ordinance. The certificate expired in 2016 but no action was initiated for the renewal of the certificate, which needs justification. Moreover, early action may be taken for the renewal of certificate.

9.15.2.6 As per Note No: 1.2 to the Financial Statements, Securities and Exchange Commission of Pakistan had granted license under Section 42 of the Companies Ordinance 1984, upto August 03, 2012. It had to be renewed for a

further period of five years but the license had not been renewed. Reasons for non-renewal of the license may be explained, besides expediting the same.

9.15.2.7 As per Note No: 5.1 to the Financial Statements, an amount of Rs.2.961 million was receivable from parent company i.e PIDC, but the expenditure on registration fee of land owned by parent company was incurred by the management. The same was outstanding for a long time. Early recovery of the same is stressed.

9.15.3 Compliance of PAC Directives:

There was no pending PAC directive for compliance.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.16 State Engineering Corporation (Pvt) Ltd

9.16.1 Introduction

State Engineering Corporation (Pvt.) Ltd. (SEC) was incorporated in 1973 under the Companies Ordinance 1913 (now Companies Act 2017) with a paid up capital of Rs. 836 million fully subscribed by the Federal Govt. The Corporation is working under the administrative control of Ministry of Industries and Production. As at June 30, 2016, the company has fully paid up Capital of Rs. 889.96 million. Moreover the company also has Govt. Equity Fund of Rs 2,250.00 million (Rs. 1,173.00 million on June 30, 2009) representing the funds available for issue of shares to GoP.

The registered office of the company is situated at Third Floor, Software Technology Park, (STP-I), 5-A Constitution Avenue, F-5/1, Islamabad. The Corporation manages and controls important segments of Engineering Industry of Pakistan. The industrial units are dealing in designing, engineering, manufacturing and supply of light, medium and heavy engineering plants and machinery.

The core objectives of the Corporation are as follows:

- To promote Industrial Self-reliance and build a sound technical/Industrial base in the country.
- To upgrade facilities for maximum possible indigenization and maintenance of technological edge over other domestic competition.
- To induct local and foreign Private Sector Partners, whenever possible, to promote joint ventures with them for achieving higher operational efficiencies.

The following companies are functioning under the control of the Corporation:

- i. Pakistan Machine Tool Factory (Pvt.) Limited (PMTF)
- ii. Heavy Electrical Complex (Pvt.) Limited (HEC)
- iii. ENAR Petrotech Services (Pvt.) Limited

9.16.2 Comments on Audited Accounts

9.16.2.1 The working results of the Corporation for the year 2017-18 as compared to previous years are given below:

(Rs in million)

	2017-18	% Inc / (Dec)	2016-17	% Inc / (Dec)	2015-16
Income					
Service charges	55.00	25.00	44.00	0.00	44.00
Interest income	3.80	20.25	3.16	107.89	1.52
Grant income	-	-	0.25	(64.29)	0.70
Total income	58.80	24.02	47.41	2.57	46.22
Expenditure					
Operating expenses	56.97	45.74	39.09	7.45	36.38
Operating Profit/(loss)	1.84	(77.86)	8.31	(15.55)	9.84
Profit/(loss) before Taxation	1.86	(77.62)	8.31	(15.55)	9.84
Taxation	4.40	3.77	4.24	50.53	2.81
Profit / (loss) after Taxation	(2.55)	(162.5)	4.08	(41.96)	7.03
Accumulated profit/ (loss)	(1,520.73)	0.17	(1,518.19)	(0.27)	(1,522.27)

(Source: Annual Audited Accounts)

The External Auditors of the corporation reported the following qualification, which needs to be resolved. On September 10, 2017, a fire broke out in the Industrial Facilitation Centre Building – Software Technology Park where the Corporation's office was situated on the 3rd floor and destroyed all the records and data since its inception up till September 10, 2017. Consequently, the External Auditors were unable to obtain sufficient appropriate audit evidence about the total expenses other than salaries paid by the Corporation during the period of July 1, 2017 to September 10, 2017, which amounts to Rs. 2.81 million.

9.16.2.2 Provision of Rs. 2.44 million and Rs. 4.85 million was made on account of staff gratuity and leave encashment respectively. These provisions were made without getting actuarial valuation. The management was stressed upon to get actuarial valuation of these account heads to provide the factual position in the accounts.

9.16.2.3 Salaries allowances and benefits under major head of operating expenses which increased by 54.33 % from Rs. 31.38 million in the year 2016-17 to Rs. 48.42 million in the year 2017-18. The abnormal increase in the salaries, allowances and other benefits needs justification.

9.16.2.4 Advances as on June 30, 2018 included Rs 15.04 million (2017: Rs 9.61 million) as advances to employees registering an increase of 56.40%. The abnormal increase in advances to employees at the time when company's financial position was not sound and needs justification.

9.16.2.5 Loan from Government included a loan of Rs. 38.15 million received for mutation of 1776.17 kanal of land in the name of Heavy Electrical Complex (Pvt) Limited (HEC) located at Village Usman Khattar to transfer in the name of the company. The terms & conditions for repayment of loan alongwith current status of mutation of land in the name of HEC may be intimated.

9.16.2.6 The head due from associated undertakings included an amount of Rs. 227.57 million which was past due 90 days. These dues were increased by 23.84 % in the year under review as compared to previous year (2016-17: Rs. 183.76 million) which shows that dues were not timely recovered from the associated undertakings. The reasons for non-recovery of dues from the associated undertakings need explanation.

9.16.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1996-97	05	04	01	163	80
1998-99	04	03	01	257	75
1999-00	06	0	06	319,320,321,322,323,324	-
2000-01	05	04	01	296	80
2002-03	03	01	02	89&90,90.2	33
2003-04	05	02	03	102&102.1,102.4	40
2005-06	06	02	04	129.1,129.2,129.4,13	33

				0	
2008-09	22	21	01	120.1	95
2009-10	4	03	01	129	75
2013-14	07	01	06	8.17.2.6,8.17.1&8.17.2.1,8.17.2.2,8.17.2.3,8.17.2.4,8.17.2.5	14
Total	67	41	26		61

The compliance of the PAC directives was not satisfactory especially during 1999-00, 2002-03, 2003-04, 2005-06 and 2013-14, which need attention of the PAO.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.17 Heavy Electrical Complex (Pvt.) Limited

9.17.1 Introduction

The Company was incorporated as a Private Limited Company on Dec 09, 1991, fully owned by State Engineering Corporation (Pvt.) Limited Ministry of Industries and Production, Government of Pakistan. The registered office of the company is situated at Third Floor, Software Technology Park, (STP-I), 5-A Constitution Avenue, F-5/1, Islamabad. The Company is engaged in the manufacturing and repair of power transformers.

9.17.2 Comments on Audited Accounts

9.17.2.1 The working results of the Company for the year 2017-18 as compared to the preceding years were tabulated below:

(Rs in million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Sales	259.00	(71.52)	909.52	34.34	677.03
Cost of sales	229.90	(71.24)	799.40	44.73	552.32
Gross profit/(loss)	29.10	(73.57)	110.12	(11.70)	124.71
Operating expenses					
Administrative expenses	59.42	15.59	45.35	(2.18)	46.36
Selling & distribution expenses	10.60	(31.02)	15.51	(2.45)	15.90
Operating profit/(loss)	(40.92)	(183.07)	49.26	(21.11)	62.44
Other income	8.92	(35.27)	13.78	53.79	8.96
Financial charges	37.73	4.49	36.11	(8.47)	39.45
Profit/(loss) for the year before tax	(69.73)	(358.93)	26.93	(15.63)	31.92
Taxation	0.15	(98.35)	9.10	19.89	7.59
Profit/(loss) after taxation	(69.58)	(490.02)	17.84	(26.67)	24.33

(Source: Annual Audited Accounts)

The Chartered Accountants in their qualified opinion expressed that during the financial year 2015-16, the portion of land measuring 1,746.9 kanals, held by the Company was not appearing in the fixed asset record of the Company but was transferred to State Engineering Corporation (Private) Limited, the parent

Company, in its name through mutation signed by the Assistant Director, Land Records Tehsil, Taxila on Jun 29, 2016, for nil consideration, which was not the fair value. The value determined as per revenue assessment rate by Assistant Director Land Records Tehsil Taxila was Rs 533.06 million, as explained in note 5.4 to these financial statements. The same land in prior years, vide letter No. 5 (46) /2006- HMC dated December 17, 2012 from Ministry of Production, was transferred from the Company to a related party, Heavy Mechanical Complex (Pvt) Limited. The management did not produce sufficient and appropriate supporting documents of these transactions relating to land to the chartered accountancy firm. The land was neither recognized in prior years as fixed asset nor was its disposal recorded in the books of accounts of the Company for the year as no consideration was paid/ received on this acquisition/ disposal. Furthermore, appropriate legal advice in this regard was not sought to regularize the matter. Therefore, audit was unable to confirm the accuracy and completeness of land held by the Company. The management may review the case and factual position may be intimated to audit.

9.17.2.2 The chartered accountancy firm in their qualified opinion on the audited accounts further expressed that the balance under the head “trade debts” included receivables relating mainly to late delivery charges of Rs. 111.34 million which were outstanding for more than three years; against which provision of only Rs 32.61 million was appearing in the last year’s financial statements. No further provision for the remaining amount was created during the year against these balances, whose recovery seemed doubtful. The management was stressed upon to review the issue of doubtful receivables and updated status may be intimated to audit.

9.17.2.3 During the year 2011, Sarhad Development Authority (SDA) cancelled the leasehold land of the Company measuring 11 acres, costing approximately Rs. 3.00 million which was included in the operating assets as at June 30, 2016. The Company went into litigation against SDA on cancellation of lease and the matter is currently pending adjudication. Current status of case may be intimated to audit.

9.17.2.4 The sales of the Company decreased by 71.52% to Rs 259.00 million in 2017-18, (2016-17: Rs 909.52 million) while the cost of sales decreased by 71.24% to Rs 229.90 million in 2017-18 (2016-17: Rs 799.40 million).The huge decrease in sales as compared to previous year resulted in decrease in Gross Profit by 73.57% to Rs 29.10 million during 2017-18 (2016-17:Rs 110.12 million). The Company sustained loss of Rs. 69.58 million in 2017-18 as compared to the profit of Rs. 17.84 million earned during 2016-17, which showed huge decline in the performance of the Company during the year under review. The reasons for huge decrease in sales, which ultimately resulted in loss, need justification.

9.17.2.5 Administrative expenses included salaries, wages and benefits, which increased by 35.09% to Rs 34.63 million during 2017-18 (2016-17: Rs 25.64 million). Similarly, repair & maintenance expenses increased by 88.43% to Rs 2.82 million during 2017-18 (2016-17: Rs 1.50 million).The abnormal increase in expenditure on account of salaries, wages benefits and repair & maintenance needs justification.

9.17.2.6 Selling and distribution expenses included salaries & benefits which increased by 42.63% to Rs 6.94 million during 2017-18 (2016-17: Rs 4.86 million) despite the fact that sales of the company decreased by 71.52% as compared to previous year. The abnormal increase in salaries and benefits under selling & distribution expenses despite decrease in sales shows that increase in salaries was not based on performance of the employees which needs justification.

9.17.2.7 Certain ex-employees of labour contractor were in litigation with the company for their outstanding dues claiming Rs. 4.67 million and, in case of unfavorable decision; the company shall be required to pay the said amount. Current status of the case may be intimated to audit.

9.17.2.8 The Bank of Khyber has issued guarantee of Rs. 230.98 million in favour of DESCOS and WAPDA against different contracts. Complete detail of

contract agreements against which Bank of Khyber issued guarantees, along with current status of those contract agreements, may be made known to audit.

9.17.2.9 During the year under review, the company has changed depreciation method of plant and machinery from capacity utilization basis to 2.5% per annum on written down value basis. Due to change in accounting estimates, the depreciation charge for the current year on plant and machinery amounts to Rs. 15.35 million. Had there been no change in accounting estimate, the depreciation charge for the current period would have been Rs. 6.24 million. Reasons for changing depreciation method which increased depreciation charge to Rs. 15.35 million from Rs. 6.24 million may be intimated to audit.

9.17.2.10 The Company has plant capacity of 2.928 million MVA on three shift basis as per PC-I whereas practical capacity was 1.33 million MVA against which the company could obtain actual production of 0.35 million MVA as compared to actual production of 1.10 million MVA of the previous year. Less utilization of plant capacity needs justification.

9.17.2.11 The Company has Contributory Provident Fund Scheme for benefit of all its permanent employees under the title "HEC – Employees Provident Fund". The size of the fund as at June 30,2018 was Rs. 9.07 million (2017: Rs. 5.69 million). On the other hand, provision for gratuity of Rs 9.23 million has been created. This shows that the Company has devised Contributory Provident Fund scheme as well as gratuity scheme for employees pensionary benefits in violation of policy of Finance Division issued vide O.M. dated October16, 1984. Finance Division vide O.M. dated January 21, 2015 directed that the same policy would remain intact. Reasons for violation of Finance Division's policy may be investigated with a view to fix responsibility thereof and recovery of the overpaid amount.

9.17.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1995-96	05	04	01	190	80
1996-97	05	04	01	169	80
1998-99	03	02	01	262	67
2000-01	04	03	01	299	75
2002-03	09	07	02	103.5,103.8	78
2003-04	05	0	05	104.2,107&107.1,107.2,104&104.1,108.3	-
2005-06	06	05	01	132.3	83
2006-07	05	04	01	107.1	80
2007-08	03	02	01	80.2	67
2009-10	03	02	01	132	67
2013-14	04	01	03	8.19.1&8.19.2.1,8.19.2.2,8.19.2.3,8.19.2.4,8.19.2.5,8.19.2.6,8.19.2.7,8.19.4.1,8.19.4.3, 8.19.4.5	25
Total	52	34	18		65

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.17.4 Audit Paras

9.17.4.1 Irregular procurement on direct contracting basis - Rs 8.18 million

According to Rule 42- (c) of PPRs-2004, a procuring agency shall only engage in direct contracting if the procurement concerns the acquisition of spare parts or supplementary services from the original manufacturer or supplier, or only one manufacturer or supplier exists for the required procurement. Furthermore, the procuring agency shall specify the appropriate fora, which may authorize the procurement or proprietary object after due diligence.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that the management procured material worth Rs. 8.18 million from M/s SGWI Associates Lahore on direct contracting basis without press advertisement. It was also observed that M/s SGWI Associates Lahore was neither the sole proprietor of the goods procured nor the authorized agent of the manufacturer.

Audit was of the view that the procurement of goods in violation of PPRA Rules was irregular.

During DAC meeting held on January 11, 2019, management apprised that the material was procured from SGWI as per written requirement of NTDC. The DAC directed the management to submit revised reply accordingly and further directed to inquire the matter at Deputy Secretary level within 14 days after receipt of revised reply. Inquiry report was not submitted by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.2 Irregular procurement of vehicles during ban period - Rs 4.80 million

According to para-1 (I) of Government of Pakistan Finance Division (Expenditure Wing) OM No. F.7 (1) Exp-IV/2016-510 dated July 25, 2016 regarding austerity measures for the financial year 2016-17, “there will be a complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles for law enforcing agencies for which NOC from Finance Division would be required”.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that the management procured four Suzuki Cultus worth Rs. 4.80 million from Suzuki Taxila Motors in violation of above instructions. The procurement of vehicles without approval of the Finance Division was held irregular.

Audit was of the view that the management was required to refer the case to Finance Division but no such action was taken by the management.

The DAC in its meeting held on January 11, 2019, directed the management to get the matter regularized from Finance Division. The management was unable to submit the case for regularization to Finance Division till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.3 Irregular payment of pays & allowances due to non-verification of degrees - Rs 22.51 million

According to Establishment Division (Management Services Wing), Islamabad OM No. 6(28)2011-DG-II dated March 08, 2011, it will be the responsibility of concerned Secretary & head of the department/ organization to have the degrees/ certificates verified. They should satisfy themselves of the genuineness of the degrees/ certificates which are required for the post as per rules. Any foreign degree/ diploma should be got verified from HEC. A certificate, along with list of officers whose degree/ certificate have been verified, should be furnished to said division within 45 days.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that degrees/ certificates of 10 out of 21 regular employees were not verified after a lapse of more than eight years of issuance of instructions by Government. Moreover, not even a single degree/certificate of contract employees as well as employees hired through third party contractor was verified despite the fact that Establishment Division in March 2011 directed to get the degrees verified from the respective universities within 45 days.

Audit was of the view that the management failed to comply with the directions of Establishment Division regarding verification of degrees of employees despite lapse of eight years. In the absence of the verification of

degrees, the payment of pay & allowances amounting to Rs 22.51 million was held irregular and unjustified.

During DAC meeting held on January 11, 2019, management apprised that verification of degrees was in process. The DAC directed the management to get the degrees verified from quarter concerned within 30 days. Process of the verification of degrees was not completed till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.4 Irregular hiring and subsequent extension of labor contractor in violation of the PPRs - Rs. 105.41 million

According to clause 12(1) of PPRs-2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the audit of Heavy Electrical Complex (HEC) Hattar for the years 2016-18, it was observed that the management awarded manpower labor contract agreement to M/s Zeb Enterprises for three months' period on September 26, 2016 whereas payment of Rs 105.41 million was disbursed upto June 30, 2018 without any competitive process. The contract was extended repeatedly uptill September 30, 2018 in violation of the PPRs.

Audit was of the view that award of contract and subsequent extensions to the contractor were serious violation of PPRs.

The DAC in its meeting held on January 11, 2019, directed the management that it was clear cut violation of PPRA Rules and matter be regularized from PPRA and further directed to hire the labour contractor as per PPRA requirement. The case for regularization was not submitted by the management to PPRA till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.5 Irregular appointment of officers - Rs 17.30 million

According to para-(III) (b) & (c) of Cabinet Secretariat Establishment Division OM No.6/2/2000-R.3 dated May 6, 2000, “vacancies should be advertised in leading national and regional newspapers and selection should be made through regularly constituted Selection Committee /Boards. “According to para-2 (ii) of State Engineering Contract Employment Policy 2004, “appointment in Executive Grades EPS-1 to EPS-V shall be made in accordance with recruitment procedure.

During the audit of Heavy Electrical Complex (HEC) Hattar for the years 2016-18, it was observed that, contrary to the above, the management recruited Assistant Manager EPS-II and Dy. Manager EPS-III through labour contractor on 89 days contract without open competitive selection process. The recruitment through labour contractor was made to avoid the competitive selection process i.e. test / interviews. The contract period of the officers was also being regularly extended since 2015 and officers were working till date. This resulted into irregular appointment and payment of Rs. 17.30 million.

Audit was of the view that the management was required to appoint the employees after advertisement and through proper procedure but appointments were made through labour contractor without open competitive process, which was held irregular.

The DAC in its meeting held on January 11, 2019, directed the management to inquire the matter at Deputy Secretary level. Case was not inquired till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.6 Irregular hiring of accommodation - Rs 12.08 million

According to Federal Government Policy, vide OM No. F-2(3) 2003, dated July 31, 2004, the Government allowed hiring of residential accommodation at six specified stations i.e. Islamabad, Rawalpindi, Lahore, Karachi, Peshawar and Quetta. It was the responsibility of the respective Ministry /Division /Department to hire Government residential accommodation for their employees within their budgetary resources. Furthermore, according to para-03 of Ministry of Finance Government of Pakistan (Regulation Wing –II) OM No. F.15 (5)R14/91-423 dated June 25, 1992, “Corporations /Companies wherein Government owns major or part shares cannot allow excess benefits to the employees of the corporations which were otherwise not admissible under Government Policy.”

During the audit of Heavy Electrical Complex (HEC) Hattar for the years 2016-18, it was observed that HEC was located in Hattar District Haripur Khyber Pakhtunkhwa. Contrary to the policy whereby the above six stations were specified by the Ministry of Housing and Works, the management allowed hiring of accommodation to 21 employees at Sawabi, Chakwal, Haripur, Taxila, Wah Cantt. & Havalian. This resulted into irregular payment of Rs. 12.08 million.

Audit was of the view that the management was required to allow hiring at the specified stations only, but it allowed hiring at non-specified stations, which was held irregular.

The DAC in its meeting held on January 11, 2019 directed to get the clarification from Ministry of Housing & Works and approval from Finance Division. The requisite clarification from Ministry of Housing & Works and approval from Finance Division was not obtained by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.7 Regularization of officers in violation of directives of Privatization Commission - Rs 8.83 million

According to para-04 (d) of Privatization Commission OM No. PC/GEN/2005 dated November 28, 2005, regarding privatization of State Enterprise Units directions by the Commission, “no induction of employees under any category either through the company or through contractors.” Furthermore, as per para-04 (g), any promotion / up-gradation may also be made in consultation with Privatization Commission.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was noticed that the company was on the approved list of Privatization Commission. The management regularized the services of Dy. Managers/ Assistant Managers serving on contract vide State Engineering Corporation letter dated September 01, 2010. Therefore, irregular expenditure of Rs. 8.82 million was incurred.

Audit was of the view that the management was required to obtain the approval of Privatization Commission for the regularization of above employees.

The DAC in its meeting held on January 11, 2019, directed the management to inquire the matter at Deputy Secretary level for regularization of officer in violation of Privatization Commission directions. Inquiry Report was not submitted till the finalization of this report.

Audit recommends compliance of the DAC directive.

- 9.17.4.8 i Excess payment of interest due to non-competition with other banks – Rs 14.80 million**
ii Irregular payment of interest - Rs 66.28 million

According to minutes of 57th meeting of BoD held on October 27, 2015 the Managing Director/CEO and Company Secretary were authorized to enter into agreement with other banks/financial institution for banking and financing

facilities. According to Clause (12)2 of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that the management, during 61st meeting of BoD held on August 31, 2017, apprised the Board that although Bank of Khyber (BoK) already sanctioned the regular financing facility of Rs.400.00 million @ KIBOR plus 2.5% interest for the year 2017-18 but the bank did not concede the HEC's requests for reducing the markup rates. In order to create healthy competition, HEC needed to have Financing Facilities from some other Bank(s). The Company Secretary informed that the BoD had already authorized the Managing Director/CEO and Company Secretary to enter into agreement with other banks/financial institutions for banking and financing facilities in its 57th meeting on October 27, 2015. Accordingly, BoD desired to utilize the earlier authorization for the purpose as and when needed. The directions of BoD were not followed in letter and spirit and management was still paying the interest @ KIBOR plus 2.5% and paid interest of Rs 66.28 million during 2016-18 in violation of BoD directions and sustained loss of Rs 14.80 million.

Audit was of the view that management was availing the credit facility for many years from BOK at KIBOR plus 2.5% and this loss could be accumulated many times, if the period prior to 2016-17 were also considered. Had the competitive process been adopted and the instructions of BoD followed diligently, management could have avoided the huge financial burden.

The DAC in its meeting held on January 11, 2019, directed the management to submit revised reply with proper justification. The revised reply was not submitted by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.9 Mis-procurement from M/s Affaq Corporation -Rs 3.24 million

According to Clause 42C(v) of the PPRs 2014, the procuring agency may utilize the following alternative methods of procurement of goods, services and works in case of any emergency. And as per section 2 (g), emergency means natural calamity, disaster, accident, war and operational emergency which may give rise to abnormal situation requiring prompt and immediate action to limit or avoid damage to person, property or the environment. As per rule 12 (2) of PPRs-2014, procurement over two million should be advertised on PPRA's website as well as in other print media/newspapers. Furthermore, detailed procedure for appointment of consultants is described in Rule 39 to 54 of PPRs 2014.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that the management paid Rs 3.24 million to M/s Affaq Corporation for purchase of 28 Panel Type Radiators @ Rs. 115,830 including 17% GST by invoking emergency clause. The management participated in tender issued by TESCO for purchase of transformers and subsequently LOI and purchase order were issued to HEC on November 03, 2016 and December 13, 2016 for delivery of transformers within 60 days. The management took lenient action for procurement of raw material during November 03, 2016 to December 18, 2016 (44 days), and decided to purchase the Panel Type Radiators by invoking emergency clause from M/s Affaq Corporation to avoid proper procedure.

Audit was of the view that as the management invoked emergency clause without the approval of competent authority, resultantly purchase was considered irregular.

The DAC in its meeting held on January 11, 2019, directed the management to clarify whether HEC management can invoke emergency clause without approval of competent authority. The requisite clarification was not submitted by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.10 Weak internal control and poor financial management due to non-existence of CFO and Board Secretary

According to Rule 14(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, “The company secretary shall be responsible for ensuring that Board procedures are followed, and that all applicable laws, rules and regulations and other relevant statements of best practice are complied with. Where the company secretary is not separately appointed, the role of company secretary may be combined with chief financial officer or any other member of senior management.”

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that due to non-availability of CFO and Company Secretary, Mr. Muhammad Zahoor (DGM) Finance, was performing duty as head of Finance as well as Company Secretary since July 07, 2007. After advertisement the HR Committee of SEC Board of Directors held on March 6, 2017, shortlisted three candidates for each post of CEO and CFO of Heavy Electrical Complex. The post of CEO was filled in July 2017 but due to unknown reasons the post of CFO could not be filled. The DGM Finance, could not perform his duties in compliance of corporate governance rules as per statutory requirements.

In addition, the following shortcomings in the working of finance department were also noticed:

- i. Non-availability of Fixed Assets Register
- ii. Non-availability of allocation method for direct and indirect labour hours
- iii. Non-availability of per unit utilization of scrap material
- iv. Wrong calculation of depreciation
- v. Non-competitive process for availing credit line facility
- vi. Under-utilization of credit line facility of Rs. 550 million

Audit was of the view that the jobs of CFO and Company Secretary were full time commitments and could not be efficiently performed as part time. Therefore, the non-appointment of CFO since long was unjustified.

The DAC in its meeting held on January 11, 2019, directed the management to remove shortcomings pointed out by the audit within 45 days. No progress was reported till the finalization of this report.

Audit recommends compliance of the DAC directive.

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9.18 Industry Facilitation Centre (Pvt.) Limited

9.18.1 Introduction

Industry Facilitation Centre (Pvt) Limited (formerly State Enterprises Display Centre (Pvt.) Limited) was incorporated on September 03, 1989 under the Companies Ordinance 1984 (now Companies Act 2017). The initial purpose of the Company was to construct a building for display and exhibition of all kinds of manufactured and semi-manufactured goods produced by public and private sector enterprises in Pakistan. It was, however, later used as Awami Markaz under the directive of the Federal Government. The new name of the Company is Industry Facilitation Centre (Pvt.) Limited (IFC).

9.18.2 Comments on Audited Accounts

9.18.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2017-18 till December 31, 2018.

9.18.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. (*refer Annex-2*)

9.18.2.3 The working results of the Company for the year 2016-17 as compared to previous years are as under:

(Rs. in million)

	2016-17	% Inc/ (Dec)	2015-16	% Inc / (Dec)	2014-15
Income					
Income from Property	102.96	27.60	80.69	8.69	74.24
Direct cost	(41.17)	0.02	(41.16)	11.88	(36.79)
Gross Profit	61.80	56.34	39.53	5.55	37.45
General & Administrative expenses	(36.41)	52.03	(23.95)	20.41	(19.89)
Finance cost	(0.003)	85	(0.02)	-	-
Other Income	10.60	(21.48)	13.50	24.31	10.86

Profit before Taxation	35.97	23.78	29.06	2.25	28.42
Taxation	(27.07)	38.96	(19.48)	(6.66)	(20.87)
Profit for year after Taxation	8.90	(7.10)	9.58	26.89	7.65
Earnings per Share	7.21	(7.09)	7.76	27.00	6.11

(Source: Annual Audited Accounts)

The overall income of the Company increased by 27.60% to Rs 102.96 million in 2016-17 (Rs. 80.69 million 2015-16) whereas direct cost increased by 0.02% during current year 2016-17 as compared to the previous year. Similarly the general and administrative expenses also increased by 52.03% to Rs 36.41 million during current year as compared to previous year Rs. 23.95 million. Resultantly, the profit before taxation for the year showed increase of only 23.78% to Rs. 35.97 million (Rs. 29.06 million 2015-16). The management was therefore, stressed upon to exercise control over the expenses.

9.18.2.4 Advance against shares issued increased to Rs. 446.63 million at the end of year 2016-17, which increased from Rs 102.68 million at the end of previous year while the paid-up share capital stood at Rs. 123.46 million against authorized share capital of Rs. 150.00 million. As such, the adjustment of advance against the existing authorized share capital was not possible without its enhancement. Reasons for getting such huge amount of advance instead of making the company a self-sustained unit needs to be elucidated.

9.18.2.5 Cash at Bank was increased to Rs. 362.38 million at the close of current year as compared to Rs. 139.96 million at the end of previous year registering an abnormal increase of 158.92%. The main reasons for such increase in current accounts instead of TDR's/investment were the non-observance of standing instructions regarding maintenance of its current accounts by the management. Reasons for such weaknesses need to be elaborated, besides ensuring the transfer of surplus funds from the current accounts to the TDRs. /investment

9.18.2.6 Investment properties were appearing in the Balance Sheet for Rs. 229.95 million as on June 30, 2017 as against Rs. 126.23 million of previous year, registering an increase of 82.17%. This included an amount of Rs. 115.44 million on account of building under construction. Reasons for non-completion of

the project for the last several years need to be explained, besides making strenuous efforts for its early completion. Furthermore, the escalation affect due to delay in completion may also be worked out and intimated to audit.

9.18.2.7 Rent receivable was decreased to Rs. 26.18 million as on June 30, 2017 as compared to Rs. 29.14 million at the end of previous year showing a nominal decrease of 10.16%, whereas, the total amount of security deposits from the tenants was only Rs. 12.62 million as on June 30, 2017. Out of total rent receivables, an amount of Rs. 0.320 million was shown as doubtful, which showed that management did not pay due attention to recovery of rent. Strenuous efforts were required to recover the rent from the tenants.

9.18.2.8 General and administrative expenses increased to Rs. 36.41 million as on June 2017 as compared to Rs. 23.95 million at the close of the previous year, registering an increase of 52.03% over the previous year. This included an amount of Rs. 2.92 million as bad debts. Details and reasons for declaring bad debts need to be provided besides controlling the expenses for improvement of financial health of the company.

9.18.2.9 Other receivables stood at Rs. 6.02 million as on June 30, 2017 (2015-16 Rs. 6.20 million). The amount included electricity charges from tenants and CFP payment to MD. Reasons due to which the amount could not be recovered needs to be elaborated.

9.18.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras no	% of compliance
2013-14	02	02	-		
Total	02	02	-		

Compliance of the PAC directives was satisfactory and needs to be carried on.

Note: Audit paras' portion for the entity has not been compiled as audit of the entity was not undertaken during subject period.

9.19 National Fertilizer Corporation (Pvt.) Limited

9.19.1 Introduction

National Fertilizer Corporation of Pakistan (Pvt.) Limited (NFC) was established in August 1973 as a private limited company to carry out the business of manufacturing, buying, selling, exporting and importing all types of chemical fertilizers. The Corporation has four wholly owned subsidiaries including three institutes of engineering and one marketing company. The Company's main source of income includes dividend from investment in subsidiary companies and return on bank deposits and other investments.

Due to privatization of all fertilizer manufacturing units of NFC, the principal activities of the Corporation like manufacturing, buying, selling, exporting and importing all types of chemical fertilizers were stopped. However, marketing and selling of fertilizer imported by Trading Corporation of Pakistan is being carried out by the subsidiary company National Fertilizer Marketing Limited (NFML). Likewise, two training institutes are running independently.

9.19.2 Comments on Audited Accounts

9.19.2.1 The working results of the Corporation for the year 2017-18 as compared with the previous years are given below:

(Rs in million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Income					
Dividend	11.54	(40.55)	19.41	(98.23)	1,098.89
Profit on bank deposits	301.03	(3.13)	310.77	(39.42)	513.00
Other income	28.20	5131.54	0.54	(90.22)	5.51
Total income	340.77	3.04	330.72	(79.55)	1,617.41
Expenses					
Administrative expenses	149.16	(13.92)	173.27	24.18	139.53
Finance charges	0.09	(26.67)	0.12	(23.57)	0.16
Total expenses	149.25	(13.93)	173.39	24.13	139.69
Profit before taxation	191.52	21.73	157.33	(89.35)	1,477.72
Taxation	57.46	17.33	48.97	(84.41)	314.15
Profit after taxation	134.06	23.72	108.36	(90.69)	1,163.58

(Source: Annual Audited Accounts)

The profit after taxation of the company increased from Rs108.36 million in 2016-17 to Rs 134.07 million in 2017-18 registering an increase of 23.72 % which was mainly due to increase in other income and reduction of admin expenses by 13.92%. However, main source of income of NFC is profit on bank deposits. Efforts need to be made to decide the fate of NFC, either by assigning some function to the Company or otherwise, steps should be taken for its winding up.

9.19.2.2 Capital Work in progress indicated that the Company incurred a sum of Rs 46.45 million in 2017-18 and Rs 43.12 million 2016-17 for vehicle, land and other items. This represents expenditure incurred on new project of the company (NFC Institute of Engineering and Technology Nausharo Feroz). Status of the project with regard to hiring of the contractor for building and infrastructure work alongwith contract cost and tentative completion period for the Institute need be explained.

9.19.2.3 Other Long Term investments included investment in the Sanofi-Aventis Pakistan Limited, which raised in the market from Rs 138.08 million as on June 30, 2016 to Rs 454.29 million as on June 30, 2017. It was suggested by audit during last year audit comments for disposal of investment because there was a boom in the market at that time and prices were at peak but management did not give any weightage to audit advice. However, the value of this investment has again reduced in the market in 2017-18 and reached to Rs 273.60 million as on June 30, 2018. The issue needs immediate attention and clarification.

9.19.2.4 Receivable from NFC Residencies was outstanding as Rs 69.04 million, Rs 49.04 million and Rs 52.51 million as on June 30, 2016, June 30, 2017 and June 30, 2018 respectively. Interest of Rs 2.90 million was charged on this loan during 2017-18 @ 6% whereas no interest was charged in previous years. Reasons for non-charging of interest in previous years needs to be justified.

9.19.2.5 The salary package of three executive and one chief executive was Rs 21.60 million during 2017-18, which was on the higher side if we compare with salary packages of M1, M2 and M3 scales introduced by government for top

executives of public sector organizations. Payment of high salaries to the executives of such a company which has practically no work since last many years seems questionable. Matter may be placed before the Board for consideration.

9.19.2.6 The Director fee paid by NFC was Rs 13.11 million in 2016-17 and Rs 5.85 million in 2017-18. The number of Directors were seven in both years thus average fee paid to each Director was Rs 1.87 million in 2016-17 and Rs 0.84 million in 2017-18 whereas as per government instructions the active government officers working as Directors in companies are bound to deposit Directors fees beyond Rs 0.60 million in government treasury. Evidence for deposit of additional amount in government treasury by government side Directors need be provided.

9.19.2.7 Deposit with bank for Project Account included an amount of Rs 920.96 million as on June 30, 2018 which represents the amount invested in term deposit receipts with different banks earmarked for the purpose of establishment of NFC Institute of Engineering and Emerging Technologies, Lahore with an exclusive section for female students wholly funded by NFC through its own sources. These deposits carrying markup at a rate ranging from 6.05% to 7.10% for a maturity ranging from 3 to 6 months. Since management does not have any immediate plan to start the project in next few months, therefore, investment in short term period of 3 to 6 months is not a prudent decision. Need for shifting of funds from short term to long term period according to need of the management is stressed upon the management.

9.19.2.8 Investment in subsidiary companies indicated that NFC owned 100% shares of NFC Institute of Engineering and Technological Training (Private) Ltd, (IETT) Multan at Rs 25.00 million, whereas books of IETT Multan showed nil investment of NFC. Necessary reconciliation in this regard needs be conducted to arrive on the same page. The management should clarify this variation.

9.19.2.9 Dividend of Rs 11.71 million was received in 2016-17 from the investment made in Industry Facilitation Center but no dividend was received during 2017-18 from this investment, which needs justification.

9.19.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1995-96	36	35	1	36	97
1999-00	28	27	1	294	96
2000-01	35	33	2	271,273	94
2001-02	17	16	1	286	94
2006-07	23	22	01	118.3	96
2010-11	06	05	01	11.13.2.5	83
2013-14	03	02	01	8.22.2.2,	67
Total	148	140	8		95

The compliance of the PAC directives was satisfactory; efforts need to be made for 100% compliance.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.20 NFC Institute of Engineering and Technological Training (Pvt.) Limited, Multan

9.20.1 Introduction

The company was incorporated on June 26, 1984 as a Private Limited Company under the name “NFC Technical Training Centre (Pvt) Limited”. Subsequently the name of the Company was changed to “NFC Institute of Engineering and Technological Training (Pvt) Limited” on August 30, 1994. Later on, all assets properties, rights and interests of whatever kind, used, enjoyed possessed, owned or vested in or held in trust by and liabilities legally subsisting against the company were transferred to NFC Institute of Engineering and Technology in accordance with the provisions of NFC Institute of Engineering and Technology Multan Act, 2012 passed by the National Assembly on 8th October 2009 and by the Majlis-e- Shoora (Parliament) in its joint sitting on 5th April 2012 which was published in “The Gazette of Pakistan” on 8th May 2012 and recognized as Degree Awarding Institute. The Institute is engaged in educational and training programs leading to higher degree in the field of Engineering.

9.20.2 Comments on Audited Accounts

9.20.2.1 The working results of the Institute for the year 2017-18 as compared to the previous years are given below:

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Income					
Tuition and training fee and other income	507.79	15.66	439.03	8.58	404.34
Expenditure					
Teaching	316.19	20.69	261.97	39.98	187.15
Training	15.01	18.37	12.68	(20.03)	15.85
Admin and general	83.45	17.46	71.04	25.66	56.54
Bank charges	0.25	19.32	0.21	40.82	0.15
Total expenditure	414.89	19.94	345.90	33.20	259.69
Surplus before taxation	92.90	(0.25)	93.13	(35.62)	144.65

Taxation	-	-	-	-	2.80
Surplus after taxation	92.90	(0.25)	93.13	(34.34)	141.85

(Source: Annual Audited Accounts)

The income of the Institute increased by 15.66 % in 2017-18 as compared to previous year whereas teaching, training and administration & general expenses disproportionately increased by 20.69%, 18.37% and 17.46 % respectively which resulted in decrease in surplus of income over expenditure from Rs 93.13 million in 2016-17 to Rs 92.90 million in 2017-18. Efforts need to be made to control the expenses of the Institute so that the profitability trend could be maintained in coming years. However, reasons need to be explained for extraordinary increase in teaching, training and administration & general expenses.

9.20.2.2 Capital work in progress increased from Rs 138.06 million as on June 30, 2017 to Rs 193.08 million as on June 30, 2018. Early and timely completion of civil work is stressed upon the management in order to avoid time over-run and escalation factors.

9.20.2.3 Balance in short term investments with banks increased from Rs 830.00 million as on June 30, 2017 to Rs 875.00 million as on June 30, 2018 (5.42% increase over previous year), whereas profit from this investment decreased from Rs 52.40 million in 2016-17 to Rs 51.90 million in 2017-18 (0.94% decrease over previous year). Decrease in profit in 2017-18 despite increase in investment as compared to previous year needs to be clarified.

9.20.2.4 Receivables from 'Institutes and others' increased from Rs 4.21 million as on June 30, 2017 to Rs 8.38 million as on June 30, 2018 (98.98 % increase over previous year). Reasons for abnormal increase under this head need to be explained.

9.20.2.5 Land freehold of the Institute has been appearing in the books of accounts at a cost of Rs 36.97 million since the beginning. The Institute is situated on precious land of many acres in the city of Multan but the management has never revalued its value. Need for revaluation of the land of the Institute from

any independent source is stressed upon the management so that the financial statements of the Institute may depict a true and fair value of the assets.

9.20.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	04	03	01	8.23.2.3	75
Total	04	03	01		75

The compliance of the PAC directive was satisfactory however; efforts need to be made for 100% compliance by PAO.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.21 NFC Institute of Engineering and Fertilizer Research Faisalabad

9.21.1 Introduction

The Company was incorporated on June 26, 1984 as a private limited company under the name “Fertilizer Research and Development Institute (Pvt.) Limited”. Subsequently, the name of the Company was changed to NFC Institute of Engineering and Fertilizer Research (Pvt.) Limited on January 15, 1998. The Company is engaged in educational programs leading to higher degree in the field of Chemical Engineering since 1998. Later on, it started disciplines of Electrical Engineering, Mechanical Engineering and Computer Sciences in 2003, 2004 and 2007 respectively. It is affiliated with the University of Engineering and Technology Lahore. The Company is also engaged in research and development activities with reference to fertilizer industry.

9.21.2 Comments on Audited Accounts:

9.21.2.1 The working results of the Institute for the year 2017-18 as compared to previous years are as under:

(Rs in million)

	2017-18	%Inc/ (Dec)	2016-17	%Inc/ (Dec)	2015-16
Income					
Tuition fee	331.10	6.69	310.35	44.02	215.49
Research income	4.41	34.18	3.29	-	-
Other income	20.86	37.65	15.16	(82.61)	87.17
Total income	356.37	8.39	328.79	8.63	302.66
Expenses					
Teaching expenses	227.65	9.86	207.22	10.77	187.08
Research and development	16.78	7.55	15.61	11.07	14.05
Administrative expenses	90.22	13.29	79.64	4.08	76.51
Total expenses	334.65	10.64	302.46	8.94	277.64
Profit before taxation	21.73	(17.48)	26.33	5.244	25.02

(Source: Annual Audited Accounts)

The income of the Institute increased by 8.39 % in 2017-18 as compared to previous year whereas the total expenditure increased by 10.64% in 2017-18 as compared to 2016-17. The disproportionate increase in expenditure as compared to income resulted in reduction of profit before tax from Rs 26.33 million in 2016-17 to Rs 21.73 million in 2017-18 registering a decrease of 17.48% in 2017-18 over previous year. The expenses of the Institute particularly under the head of Administrative expenses needs to be controlled which were due to increase in number of employees from 266 as on June 30, 2017 to 304 as on June 30, 2018. The reasons for hiring of additional employees without enhancing its business need to be justified with facts and figures.

9.21.2.2 Capital work in progress carried nil balance as on June 30, 2018 as against Rs 0.58 million as on June 30, 2017. On the other hand, retention money was outstanding as Rs 10.55 million as on June 2018 as compared to Rs 10.81 million as on June 30, 2017. The management of the Institute should clarify the non-clearance of retention money.

9.21.2.3 Current Liabilities as on June 30, 2018 included deferred taxation and provision for tax of Rs 33.01 million and Rs 8.72 million respectively. On the other hand, the head current assets included advance tax of Rs 5.08 million as on June 30, 2018. Settlement of issues with Tax authorities is stressed upon the management.

9.21.2.4 Advances and Prepayment included other receivables of Rs 16.02 million as on June 30, 2018 as compared to Rs 15.60 million as on June 30, 2017. Nature, detail and reasons of their non-recovery need to be explained.

9.21.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2010-11	05	03	02	11.15.2.2,11.15.4.1	60
2013-14	04	03	01	8.24.2.2	75
Total	09	6	3		67

The compliance of the PAC directives was not satisfactory which need immediate attention of the PAO.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

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9.22 Small and Medium Enterprises Development Authority

9.22.1 Introduction

Small and Medium Enterprises Development Authority (SMEDA) was created under a notification dated October 13, 1998 issued by the Prime Minister of Pakistan office and is working under the Ministry of Industries, Government of Pakistan. On August 12, 2002, an Ordinance was promulgated for the establishment of SMEDA as an autonomous body under the Federal Government for encouraging and facilitating the development and growth of small and medium enterprises in Pakistan.

SMEDA was primarily working as an apex policymaking body for economic and commercial development of Small and Medium Enterprises (SMEs). The primary objective of the Authority is to provide a fresh impetus to Pakistan's economy through launching aggressive SMEs support programs. The head office of SMEDA is situated on the sixth floor, LDA Plaza, Egerton Road, Lahore.

9.22.2 Comments on Audited Accounts

9.22.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2017-18 till December 31, 2018.

9.22.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. (*refer Annex-2*)

9.22.2.3 The working results of the Authority for the year 2016-17 as compared

to previous years are as under:

(Rs in million)

	2016-17	% Inc / (Dec)	2015-16	% Inc/ (Dec)	2014-15
Income					
Grant from Government of Pakistan	232.03	3.10	225.05	17.107	190.77
Income from projects	8.50	-	-	-	-
Income from services	1.27	(52.84)	2.70	(44.62)	4.87
Other income	1.22	26.09	0.97	8.17	0.89
Total Income	243.02	6.25	228.72	16.37	196.54
Expenditure					
Salaries, wages and other benefits	133.48	17.22	113.87	10.12	103.41
Traveling and vehicle running	23.21	0.93	23.00	9.02	21.10
Repair and maintenance	4.22	33.10	3.17	0.76	3.15
Depreciation	5.18	(20.87)	6.55	(16.76)	7.87
Rent Rates	21.58	11.78	19.31	8.00	17.88
Projects expenditure	8.92	158.43	3.45	36.96	2.52
Provision for staff gratuity	21.15	26.82	16.68	12.42	14.83
Other expenditure	36.33	(13.62)	42.06	57.10	26.77
Total expenditure	254.08	11.39	228.09	15.47	197.53
(Deficit)/surplus of income over expenditure	(11.05)	(1858.19)	0.63	-	(0.99)
Fund balance	(45.01)		(33.95)	(1.82)	(34.58)

(Source: Annual Audited Accounts)

Income from services of the Authority decreased from Rs 2.70 million in 2015-16 to Rs 1.27 million in 2016-17 by 52.84% and ultimately management had to rely on Government grants, which have increased from Rs 225.05 million in 2015-16 to Rs 232.03 million in 2016-17. Efforts need to be made to enhance the income from services so that dependency on Government grants could be reduced.

9.22.2.4 Salaries, Wages and other benefits of other permanent staff increased by 18.19% from Rs 106.39 million in 2015-16 to Rs 125.75 million in 2016-17. The increase in salary packages of other staff needs clarification.

9.22.2.5 Training and conference expenses increased by 66.41% from Rs. 3.23 million in year 2015-16 to Rs. 5.38 million in year 2016-17 which needs clarification.

9.22.2.6 Income from services decreased from Rs. 2.70 million in 2015-16 to Rs. 1.27 million in 2016-17 decreased by 52.84%, which needs clarification.

9.22.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2003-04	02	0	02	120&121	-
2004-05	02	01	01	77	50
2006-07	04	03	01	86.3	75
2009-10	07	05	02	114.4 ,114.6	71
Total	15	9	6		60

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.22.4 Audit paras

9.22.4.1 Irregular award of contract at higher rates - Rs 1.25 million

According to clause 36 (b) (ix) of PPRs 2004, the bid found to be the lowest evaluated bid shall be accepted.

During the Audit of SMEDA, Sialkot Business and Commerce Centre (SBCC), Sialkot, for the year 2016-18, it was observed that the management floated tender in the daily newspaper “The Nation” dated April 24, 2016 for procurement of eighty one (81) air conditioners along with accessories. In response to the tender, eight (8) bidders participated in the bid. Out of these bidders, M/s Greaves Air Conditioning (Pvt.) Ltd. quoted the lowest rates of Rs 13.73 million. During technical evaluation, the management disqualified the lowest bidder (M/s Greaves) on the ground that the bidder did not mention the

specifications of temperature. During examination of the relevant record of tender submitted by the bidder, it was revealed that the bidder provided the specifications of temperature i.e. 82.7/ 67. Contrary to the above, management rejected the first lowest bidder and accorded undue benefit by awarding contract to M/s Humak Engineering Pvt. Ltd. at a cost of Rs 14.98 million on June 21, 2016. This resulted into irregular award of contract valuing Rs 14.98 million.

Audit was of the view that award of contract by the management to second lowest bidder was irregular.

The matter was reported to the Ministry and management on October 11, 2018. The DAC in its meeting held on January 11, 2019 directed to probe the matter at Ministry level. The inquiry was not conducted by the ministry till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.22.4.2 Wasteful expenditure on third party performance evaluation of SMEDA - Rs 2.45 million

According to Ministry of Industries & Production letter No. 3(2)/2015-ME-I dated May 06, 2015, the administrative Ministry directed SMEDA to conduct third party performance evaluation for three years 2011-14 and compliance report be furnished to the Ministry on priority basis. As per Terms of References (ToRs) issued by Ministry of Industries & Production, the Firm/ consultant will complete the assignment within thirty (30) days from award of contract. The scope of work as per ToRs was as under:

- i. Examine and analyze;
 - a. SMEDA Products & Services Portfolio
 - b. Over the counter Products & Services
 - c. Business Development Services
- ii. Sector/ Cluster Development Initiatives
- iii. SMEDA's Demonstration Projects (PSDP) and other strategic initiatives
- iv. Research, policy and advocacy activities

During the Audit of Small and Medium Enterprises Development Authority (SMEDA) for the year 2016-18, it was observed that M/s SKP Consulting Limited was awarded the contract amounting to Rs 4.90 million being the lowest bidder on January 28, 2016. The management allowed 120 days for completion of the assignments against Ministry directions of 30 days. Management paid Rs 2.45 million to the consultancy firm. Due time for submission of report by the consulting firm as per contract was May 28, 2016 (120 days) but after lapse of considerable time i.e. 27 months, Performance Evaluation Report as per ToRs was not furnished by the consulting firm. The management just encashed the performance guarantee Rs 0.49 million but did not initiate legal action against the firm.

Audit was of the view that the management neither followed the instructions of administrative ministry nor initiated legal action against the consulting firm for its blacklisting.

The matter was reported to the Ministry and management on October 11, 2018. The DAC in its meeting held on January 11, 2019 directed to take the matter to BoD and Ministry of Industries and Production for review. No progress was reported till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.23 Spun Yarn Research & Development Company (SYRDC),

9.23.1 Introduction

Spun Yarn Research and Development (R&D) Company was established/incorporated on June 27, 2011. The principal office of the Company is situated at House No.1 Green Homes, Nawabpur Road, Multan. A Company was established under section 32 of Companies Ordinance, 1984 under Ministry of Industries & Production (MOIP) owned by the Federal Government. The Company runs as a joint venture between the Government of Pakistan and private investor, with around 37% Government of Pakistan shareholding and around 63% private party shareholding. The purpose of the project is to consume left over waste of cotton ginning industry to produce useful raw material for next processes. The proposed facility aims to consume waste of cotton spinning industry in the form of card fly and dropping to convert it into valuable market product.

9.23.2 Comments on Audited Accounts

9.23.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

9.23.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. (*refer Annex-2*)

9.23.3 Compliance of PAC Directives:

There were no pending PAC directives for compliance.

9.23.4 Audit Paras

9.23.4.1 Irregular purchase of raw material - Rs 373.41 million

According to Rule 9 of PPRs 2004, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During the audit of Spun Yarn Research & Development Company (SYRDC) for the years 2011-18, it was observed that the management executed purchase agreements with different parties and purchased raw material amounting to Rs 373.41 million without getting any competitive rates during the years 2015 to 2018.

Audit was of the view that the management was required to purchase the raw material considering the annual requirements/ targets. Due to the absence of purchase plan as well as approval of the board with respect to PC-I, the procurement of raw material was considered irregular.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.2 Irregular purchase of cables - Rs 5.85 million

According to Rule 12(2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement

in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the management purchased electric cable amounting to Rs 5.854million without advertisement from M/s Pakistan Cables Private Limited during 2014-15 in violation of Public Procurement Rules.

Audit was of the view that the management was required to follow PPR rules and obtain competitive rates during procurement of electric cables.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.3 Irregular purchase of land at higher rate - Rs 8.05 million

According to PC-I of Spun Yarn Research & Development Company (SYRDC) dated December 2009 the estimated capital cost of land was Rs 5.00 million. According to advertisement in the Daily Mail (English) dated December 29, 2011, industrial plot measuring 12-16 kanals was required at Multan to establish facilitation center. Preference was to be given to the industrial plot situated at main road, MEPCO Grid Station and near Industrial Gas Pipelines.

During the audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the management purchased land at the cost of Rs 13.05 million during March, 2012 inspite of the fact that estimated cost of land was Rs 5.00 million as per approved in PC-I dated December 2009. The management purchased agricultural land instead of industrial plot in violation of advertisement. Management delayed the purchase of

land despite availability of sufficient funds which resulted in extra payment of Rs 8.05 million (i.e. Rs 13.05 million - Rs 5.00 million).

Audit was of the view that management was required to revise the PC-I with respect to increase in cost of land from the competent forum but no approval was obtained from the competent authority. Furthermore, the plot was required to be purchased in the industrial area instead of agricultural land.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.4 Irregular appointment on contract basis - Rs 12.45 million

According to order of the Honorable Supreme Court of Pakistan, passed on Human Rights Case No.104 of 1992 on December 26, 1992 (circulated by the Cabinet Division), the Court observed that the Federal Government, Provincial Government, Statutory bodies and the Public Authorities are making initial appointments, both adhoc and regular to posts without publicity and properly advertising the vacancies and at times by converting adhoc appointments into regular appointments. This practice is prima facie violation of Fundamental Rights (Article-18 of the Constitution) guaranteeing to every citizen's freedom of profession. It was ordered that the violation of this Fundamental/Human Right should be discontinued forthwith. Steps shall immediately be taken to rectify, so as to bring the practice in accordance with the Constitutional requirements.

During the audit of Spun Yarn Research & Development Company (SYRDC), for the years 2012-18, it was observed that the management appointed twenty two (22) employees on contract basis without advertisement during the years 2010 - 2018 and paid an amount of Rs 12.45 million. Thus, the appointment as well as payments were considered irregular due to noncompliance of orders of Supreme Court of Pakistan.

Audit was of the view that the compliance of instructions issued by Supreme Court of Pakistan as well as Government of Pakistan is mandatory.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.5 Unjustified expenditure on account of stipend to trainees - Rs 15.00 million

According to Rule 5(5) of Public Sector Corporate (Governance Rules) 2013, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During the audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the management incurred expenditure of Rs.15.00 million on account of stipend to various trainees during the year 2015-16 without necessary provision in PC-I.

Audit was of the view that the management was required to make expenditure as per provisions of the approved PC-I but expenditure was incurred without any provision in approved PC-I which was unjustified.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.6 Non-conducting the physical verification of assets - Rs 132.14 million

According to Rule 159-A of General Financial Rules, physical verification of all stores should be made at least once in every year under rules prescribed by competent authority.

During the Audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the company had fixed assets worth Rs 132.14 million as on June 30, 2017. The existence of company assets was not checked through an independent body to ensure physical existence at any specific date in violation of above referred rules. During site visit of SYRDC, it was observed that machinery & equipment, furniture & fixtures and tools amounting to Rs 132.14 million purchased for the project was lying in the unit No. 2 & 3 of LCDC in shabby / poor condition.

Audit was of the view that the management was required to conduct physical verification of the assets but the same was not done.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.7 Non-insurance of company assets - Rs 39.78 million

According to Clause 166 (2a) and (3) of Insurance Ordinance, 2000, all insurance business relating to any public property, or to any risk or liability appertaining to any public property, shall be placed with the NICL only and shall not be placed with any other insurer.

During the Audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the management purchased different assets worth Rs 39.78 million during the period from 2012-18. It was

the responsibility of the management to get the company assets insured as per the above said govt. instructions from NICL to safeguard against any loss.

Audit was of the view that all the Government assets were to be insured from M/s National Insurance Company Limited.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.24 Leather Crafts Development Company (LCDC) Multan

9.24.1 Introduction

Leather Craft Development Company was established/incorporated on May 31, 2010. The principal office of the Company is situated at House No.1 Green Homes, Nawabpur Road, Multan. A Company was established under section 32 of Companies Ordinance, 1984 under Ministry of Industries & Production (MOIP) owned by the Federal Government. The Company run as joint venture between the Government of Pakistan and private investor, with around 47% Government of Pakistan shareholding and around 53% private party shareholding. The primary goal of the project is to generate economic activity in Southern Punjab and provide employment to the local people based on their indigenous strength.

9.24.2 Comments on Audited Accounts

9.24.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

9.24.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. (*refer Annex-2*)

9.24.3 Compliance of PAC Directives:

There were no pending PAC directives for compliance.

9.24.4 Audit Paras

9.24.4.1 Irregular procurement of roof slabs - Rs 3.82 million

According to Rule-12(2) of the PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the audit of Leather Crafts Development Company (LCDC) for the years 2011-18, it was observed that the management issued purchase order dated August 21, 2014 for precast roof slabs and girders to M/s Izhar Group of Companies Multan amounting to Rs 3.82 million on quotation basis in violation of the above said rules.

Audit was of the view that the management was required to make procurement through competitive process but the same was not done. Hence, purchase of roof slabs in violation of PPRs was considered irregular.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.24.4.2 Unjustified appointment of Chief Executive Officer - Rs 16.00 million

According to order of the Supreme Court of Pakistan passed on Human Rights case No.104 of 1992 on December 26, 1992 (circulated by the Cabinet Division), the Court observed that the Federal Government, Provincial Government, Statutory bodies and the Public Authorities are making initial appointments, both adhoc and regular to posts without publicity and properly advertising the vacancies and at times by converting adhoc appointments into

regular appointments. This practice is prima facie violation of Fundamental Rights (Article-18 of the Constitution) guaranteeing to every citizen's freedom of profession.

During the audit of Leather Crafts Development Company (LCDC) for the year 2011-18, it was observed that BoD in its second meeting held on October 31, 2011 appointed Khawaja Muhammad Ali Yousaf as Chief Executive Officer of the company at monthly salary of Rs 200,000. The officer was also the Chief Executive Officer & Chairman of the Spun Yarn Research & Development Company (SYRDC) established on June 27, 2011 till to date and was drawing salary and fringe benefits from both companies. The appointment as CEO was made in violation of Honorable Supreme Court decision and as well as being the Chairman/CEO of SYRDC. Resultantly the said officer was working in two posts simultaneously (in LCDC & SYRDC). Hence, the appointment as CEO in LCDC and payment thereof valuing Rs 16.00 million was considered irregular and unjustified.

Audit was of the view that the officer could not work as CEO in two companies simultaneously. Furthermore, the appointment was made in violation of Supreme Court of Pakistan decision.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

- 9.24.4.3 i Non conducting the physical verification of assets –Rs 11.60 million**
ii Non utilization of assets purchased for the projects lying in store since long - Rs 4.46 million

According to rule 159-A of General Financial Rules, physical verification of all stores should be made at least once in every year under rules prescribed by competent authority.

During the audit of Leather Crafts Development Company (LCDC) for the years 2011-18, it was observed that company had fixed assets worth Rs 11.60 million as on June 30, 2018. The existence of company assets was not checked through an independent body to ensure physical existence at any specific date in violation of above referred rules. During site visit of unit 2 & 3 of LCDC, it was observed that machinery & equipment, furniture & fixtures and tools amounting to Rs 4.46 million purchased for the project was lying in the store room shabby/ poor condition.

Audit was of the view that the management was required to verify the physical existence of the assets but the same was not done.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.24.4.4 Unjustified expenditure on training - Rs 16.86 million

According to clause 6 of PC-I, the training courses to produce workers for value added sector of leather was scheduled as two courses of leather manufacturing and two courses of cutting & pattern. Further, stipend of Rs 2,000 per month would be given to each student.

During audit of Leather Crafts Development Company (LCDC) for the years 2011-18, it was observed that the management incurred expenditures of Rs 16.86 million on stipend to various trainees during the year 2015-16. Contrary to the PC-I requirement the management conducted more than two courses for each student. Furthermore, it was also observed that these trainees did not join any leather industry as no documents / evidence was available with the management. Thus, public funds were not utilized with due care and caution and this resulted into wasteful expenditure of Rs 16.86 million. Further, the

management did not execute the project in spite of lapse of considerable period as required in PC-I.

Audit was of the view that the management was required to conduct two courses instead of more than two according to PC-I provisions which was serious lapse on the part of management.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.25 Utility Stores Corporation of Pakistan (Pvt.) Limited

9.25.1 Introduction

Utility Stores Corporation of Pakistan (Pvt.) Limited (the Company) was incorporated on September 03, 1971 as Private Limited Company under Presidential order issued vide President Secretariat U.O dated March 26, 1971. The Corporation is registered under Companies Ordinance 1984 (now Companies Act, 2017) with its registered office at Islamabad.

The Company has paid up capital of Rs 737.73 million fully owned by the Government of Pakistan. The Company is working under administrative control of Ministry of Industries and Production. The key objectives of the Company were to:

- i. Undertake the procurement of essential consumer goods from domestic and external sources.
- ii. Ensure the availability of quality goods in adequate and regular quantities and market them at prices lower than the market, through a chain of store operations.

9.25.2 Comments on Audited Accounts

9.25.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

9.25.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. (*refer Annex-2*)

9.25.2.3 The working results of the Corporation for the year 2016-17 as compared to previous years were given below:

(Rs in million)

	2016-17	% Inc/ (Dec)	2015-16	% Inc/ (Dec)	2014-15
Sales	53,619.49	10.34	48,593.95	(13.44)	56,137.24
Subsidy	4,250.60	138.87	1,779.47	(38.08)	2,873.87
Cost of sales	53,231.90	14.53	46,478.52	(15.25)	54,838.87
Gross Profit	4,638.20	19.08	3,894.90	(6.65)	4,172.24
Selling and Distribution expenses	7,322.38	13.73	6,438.67	11.69	5,764.66
Administrative expenses	412.68	1.39	407.02	55.72	261.38
Finance Cost	46.75	4.68	44.66	(2.85)	45.97
Other Income	306.14	(21.87)	391.83	22.52	319.80
Loss before taxation	2,837.47	8.98	2,603.62	64.79	1,579.97
Taxation	536.55	14.08	470.34	(24.49)	622.90
Loss after taxation	3,374.02	9.76	3,073.96	39.54	2,202.87
Loss per share	45.74	9.77	41.67	39.55	29.86

(Source: Annual Audited Accounts)

Loss of the corporation increased from Rs. 2,603.62 million during 2015-16 to Rs. 2,837.47 million during 2016-17 despite the fact that the subsidy from Federal Government increased by 138.87 % from Rs. 1,779.47 million during 2015-16 to Rs. 4,250.60 million during 2016-17, which needs explanation.

9.25.2.4 Sales of the corporation increased by 10.34% i.e. from Rs. 48,593.95 during 2015-16 to Rs. 53,619.49 during 2016-17 whereas Selling & Distribution Expenses increased by 13.73% i.e. from Rs. 6,438.67 million during 2015-16 to Rs. 7,322.38 during 2016-17. Disproportionate increase in selling & distribution expenses needs explanation.

9.25.2.5 As per qualification of the Chartered Accountants, the title of leasehold land and building at Roti Plant, Karachi acquired by the Company in 1999 from Privatization Commission, Government of Pakistan at a revalued amount of

Rs 571.85 million had not been transferred in the name of the Company which needed justification.

9.25.2.6 As per qualification of the Chartered Accountants interest free long-term loan amounting to Rs 500 million from Ministry of Industries and Production had not been shown at amortized cost as required by the International Accounting Standard 39, which needed justification.

9.25.2.7 The corporation had a Tax Refund due from the government valuing Rs. 2,753.45 million for the last many years, which needs early recovery to reduce the ever-increasing financial crunch of the corporation.

9.25.2.8 The Trade and other payables of the corporation increased from Rs. 44,963.34 million during 2015-16 to Rs. 49,453.01 million during 2016-17. The non-payment of Trade and other payables despite having bank balance of Rs. 712.27 million as on June 2017 needs justification.

9.25.2.9 The provision for slow moving items charged on the basis of actual damaged, expired and obsolete goods received from the regions increased from Rs. 1.67 million during 2015-16 to Rs. 166.88 million i.e. 9,904.62% increase. The management required immediate attention to curb the tendency of increase in damaged, expired and obsolete goods.

9.25.2.10 The management had made 100% provision of Rs. 193.71 million for the trade debts considered doubtful during the year 2016-17, which requires explanation.

9.25.2.11 The shortage in stocks recoverable from store incharges valuing Rs. 1,419.79 million as on June 30, 2016 increased to Rs. 1,447.21 million as on June 30, 2017. The provision for doubtful debts (shortage in stocks recoverable from store incharges) increased from Rs. 42.16 million as on June 30, 2016 to Rs. 249.47 million as on June 30, 2017 i.e 491.76% increase. Effort needs to be

made for an early recovery of the shortage amount besides minimizing the chances for shortage.

9.25.2.12 The provision for miscellaneous receivable increased from Rs. 0.99 million as on June 30, 2016 to Rs. 2.79 million as on June 30, 2017 i.e. 182.56% increase. Efforts need to be made for an early recovery of the miscellaneous receivable for an early payment of Trade and other payables of the corporation.

9.25.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of Compliance
1990-91	03	02	01	250	67
1992-93	05	02	03	149,150,151	40
1994-95	08	05	03	156,157,160	63
1995-96	13	12	01	131	92
1997-98	02	01	01	214	50
1998-99	07	06	01	172	86
1999-00	04	01	03	251,252,253	25
2002-03	08	07	01	142.4	88
2005-06	05	04	01	147.3	80
2006-07	07	05	02	87.2,87.4	71
2007-08	07	02	05	89.2,89.3,90,91,93	29
2008-09	06	04	02	116,118	67
2009-10	12	06	06	117.2,117.4,118,120,122,123	50
2010-11	14	06	08	11.6.2,11.6.4.1,11.6.4.2,11.6.4.3, 11.6.4.4, 11.6.4.6, 11.6.4.7, 11.6.4.8,	43
2013-14	09	02	07	8.25.2.5,8.25.1&8.25.2.1,8.25.2.3, 8.25.2.4,8.25.2.6, 8.25.2.7,8.25.2.8	22
Total	110	65	45		59

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.25.4 Audit Paras

9.25.4.1 Embezzlement of subsidy on Atta – Rs 75.69 million

According to serial No: 3(i), (ii), (iii) of the GM Procurement (Wheat/ Wheat Flour) USC Head Office letter No: 4092/MAR/W&WF dated July 03, 2013, allocation of Atta would be made according to demand/ population. As per Senior GM Operation/ Procurement (ATTA) USC Head Office letter No: 4092/MAR/W&WF dated July 22, 2013, Atta cannot be purchased from pre-qualified flourmills out of zone.

During the audit of USC Zonal Office Lahore for the year 2017-18 it was observed:

- i. The management of Sheikhpura & Gujranwala Regions in collaboration with flour mills sold out the allocated Atta (100,000 bags each) in open market instead of stores and made up the documentation for procurement of Atta. This resulted into embezzlement of subsidy due to bogus supply of Atta to the poor citizens of Pakistan valuing Rs. 24.000 million @ Rs. 120 per bag.
- ii. Regional Manager, Sheikhpura prepared debit vouchers for procurement of Atta valuing Rs 6.80 million from M/s Khawaja Flour Mills & National Flour Mills Shahpur Kanjran Lahore in one day despite the fact that these mills had no physical existence.
- iii. Against the allocation of 100,000 bags, Atta Regional Management Gujranwala procured 134,496 bags of Atta valuing Rs 83.39 million. This resulted into excess procurement of 34,496 bags Atta valuing Rs. 21.39 million without approval of USC head office.

- iv. Regional Manager Gujranwala prepared bogus debit vouchers for the procurement of 21,105 bags of Atta valuing Rs. 13.09 million from M/s Nasir Flour Mills Lahore (outside the jurisdiction of RM Gujranwala) during the period July 09, 2013 to August 07, 2013 and obtaining signatures of different store Incharges forcibly.
- v. Regional Manager Gujranwala procured 16,795 bags of Atta valuing Rs 10.41 million from M/s Chenab Flour Mills Gujrat (outside the jurisdiction of RM Gujranwala) during July 22, 2013 to August 07, 2013.

Audit was of the view that regional management violated the USC head office instructions but no action was taken.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that same observation was already printed in Special Audit Report relating to Mr. Hassan Ali Bhatti and Nedeem Ashar Gill of Sheikhpura Region and there was no loss to the corporation. Audit contended that no action was taken against RM Gujranwala. The DAC directed to inquire the matter at Ministry level.

Audit recommends compliance of DAC directives.

9.25.4.2 Loss due to embezzlement in US Pak Secretariat Utility Store Karachi – Rs. 118.70 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure will be adopted to minimize damages: (a) on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/ quantity in accordance with the GRN; (b) any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy; (c) from warehouse to stores the responsibility for damages will

devolve in the Delivery Clerk/ Loader as the case may be; and (d) after receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that the Zonal Manager Karachi on February 20, 2018 intimated the embezzlement of Rs. 118.70 million in US Pak Secretariat Store, US Farer Road Karachi and some other stores of Karachi Region. The 26th Executive Board Meeting (EBM) held on March 05, 2018, constituted an internal audit team to carry out the audit of US-Pak Secretariat Store and all the stores of USC Karachi North & South Region. A Fact Finding Inquiry was also carried out to fix responsibility on the responsible officers/ officials involved in misappropriation/ embezzlement of Government funds. Audit demanded the Audit Report of US Pak Secretariat Karachi Stores along with Fact Finding Report but same were not provided.

Audit was of the view that weak internal controls and poor vigilance resulted in embezzlement cases at Quetta Region in 2012 and now in Karachi Region in 2018.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that Fact Finding has been carried out along with Special Audit of the Karachi Regions and case was referred to NAB. The Committee directed to pursue the case with NAB and affect recovery.

Audit recommends compliance with DAC directives.

9.25.4.3 Loss due to massive embezzlement in Sargodha Region - Rs. 9.06 million

According to USC Circular Order bearing No: 501/Acctt/2006 dated: December 30, 2006, in case of any violation or lapse/ violation in performance of

these duties the official concerned shall be duly accountable for the loss, if any, arising from such lapse/ violation of duty.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed that the management dismissed two employees of Sargodha Region on the following charges of embezzlement, misconduct, inefficiency, negligence and dereliction:

- i- Sales worth Rs 985,690 were under- booked in Cash in Transit (CIT) of relevant stores and credited to other irrelevant stores;
- ii- Disparity between CIT Schedules sent to USC Head Office & maintained at region and non recovery of Rs 883,263;
- iii- Embezzlement of Rs. 19.98 million through excess crediting of sales to stores accounts.

Afterwards an amount of Rs 12.785 million (Rs 9.81 million in cash and Rs 2.98 million from the salary) was recovered. This resulted into embezzlement of Rs. 9.06 million through excess credit of sales into stores account by the above culprits.

Audit was of the view that the management was required to take strict disciplinary action against the culprits and recover the embezzled amount but no further recovery was effected from the culprits till the close of audit which was an undue favour. Furthermore, weak internal controls resulted into embezzlement of Rs. 9.06 million.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that an amount of Rs. 6.4 million has been recovered. The Committee directed to get the recovery verified and make efforts for balance recovery.

Audit recommends compliance of the DAC directive.

9.25.4.4 Loss due to dacoity in warehouses of Rawalpindi (North) & (South) Regions - Rs. 9.54 million

According to circular order No.4/SO&S/2007 dated January 24, 2007 and No.06/SOS/2010 dated June 03, 2010, the regional manager and store in-charge were responsible to ensure the safe and secure operation of stores and to ensure that proper security measures have been adopted and security guards/chowkidars deployed at warehouse/stores are available and performing their duties as per instructions issued from time to time.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that an incident of dacoity took place in the branded goods warehouses of USC Rawalpindi (North) and Rawalpindi (South) Regions on midnight of 17 & 18 February 2018, wherein the dacoits broke the locks of warehouses and entered both warehouses of the regions and took away the stock in bulk. As per initial investigations, loss of Rs. 9.54 million was assessed. Fact Finding Inquiry was ordered by the then Managing Director, which was under process. FIR was also lodged and investigation in this regard was pending with police authorities and no accused was arrested by the police authorities till the close of audit.

Audit was of the view that poor watch & ward conditions of these warehouses by private security guards resulted in loss of Rs. 9.54 million. The management was required to include necessary clauses to safeguard against these incidents but contract with security agencies were not revised despite frequent incidents of dacoity.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that claim of the NICL could not be completed due to non-finalization of the Fact Finding Inquiry. The Committee directed to complete the same within 15 days.

Audit recommends compliance of the DAC directive.

9.25.4.5 Irregular upgradation of accounts cadre of USC - Rs. 21.11 million

According to Cabinet Division (Establishment Division) Government of Pakistan OM No: 01/13/96/R/6 dated: August 10, 2016, the competent authority was pleased to approve up-gradation/ grant of higher scale to following ministerial posts as mentioned against each w.e.f July 01, 2016:

S No	Designation of the posts	Exiting pay scales	Up-graded pay scales	Remarks
1.	Assistant Incharge	BPS-15	-	The existing incumbents are granted BPS-16 as one time dispensation. The posts of Assistant Incharge (BPS-15) are henceforth decided a dying cadre.
2.	Assistant	BPS-14	BPS-15	
3.	Upper Division Clerk	BPS-09	BPS-15	
4.	Lower Division Clerk	BPS-07	BPS-09	

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that BoD adopted the above Office Memorandum of Cabinet Secretariat in its 139th meeting held on February 10, 2017. While adopting the above OM the BoD also decided to upgrade the posts of Senior Accounts Assistant (BS-14)/ Senior Audit Assistant (BS-14) Accounts Assistant (BS-14)/ Audit Assistant (BS-14)/ Junior Accounts Assistant (BS-9) without obtaining the approval of Finance Division. This resulted into irregular up-gradation and payment of Rs. 21.11 million.

Audit was of the view that the management was required to obtain the prior approval of the Finance Division, Government of Pakistan for upgradation of the accounts cadre but no approval was obtained.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019,

management apprised that BoD has granted the approval for the up-gradation of Accounts Cadre employees. The Committee did not accept the plea of the management and directed to submit revised reply.

Audit recommends to obtain ex-post facto approval of the Finance Division under intimation to audit.

9.25.4.6 Irregular continuation of security agreement with M/s Ghosia Guards and Management Services (Pvt) Ltd - Rs. 56.99 million

According to Clause-4 of contract agreement on September 01, 2016, the agency shall be registered with the concerned authorities of the Federal/ Provincial Government and should fulfill the conditions laid down by such authorities. Moreover, according to Clause-17 of contract agreement on September 01, 2016, the agency shall deposit performance security @10% of the total yearly estimated contract value.

During the audit of USC Zonal Office Lahore for the year 2017-18, it was observed that the management awarded contract for the provision of security services to M/s Ghosia Guards and Management Services (Pvt) Ltd through tendering w.e.f September 01, 2016 to August 31, 2017 and made a payment of Rs 56.99 million. The registration certificate of the security agency from the concerned authorities of the Federal/ Provincial Government were not obtained, and performance security of only Rs 500,000 was obtained instead of the required Rs 2.85 million @10% of the total yearly estimated contract value, which was in violation of the above quoted clause of the contract agreement.

Audit was of the view that management failed to fulfill requirements.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised that they invited tenders twice but same were rejected due to higher rates and security amount was being recovered. DAC was not satisfied

with the explanation of the management and directed to re-tender the services and effect recovery of the 10% security.

Audit recommends compliance of the DAC directive.

9.25.4.7 Irregular payment of honorarium to daily wage employees - Rs 43.21 million

According to engagement letter, appointment of the Daily Wage employees was on fixed pay.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that Board of Directors approved the payment of honorarium to daily wage employees on account of performing duty beyond normal duty during the month of Ramzan 2017 & 2018 @ Rs 7000 & Rs 5000 respectively. As per terms and conditions of the employment of daily wage employees, they were not entitled to any other benefit except fixed wages hence payment of honorarium to daily wage employees valuing Rs 43.21 was held irregular.

Audit was of the view that the BoD was required to amend the term and conditions of the appointment of these daily wage employees for the eligibility for payment of honorarium otherwise, they were not entitled to receive honorarium.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised that BoD approved the payment of honorarium to daily wage employees due to work beyond normal hours during Ramzan. The DAC directed the management to submit detail revised reply.

Audit recommends compliance with DAC directives.

9.25.4.8 Irregular procurement of branded sugar - Rs. 990.05 million

According to Clause (12) (2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. According to Clause (12) (3) of PPRA Rules 2004, in cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management procured a quantity of 20 M. Ton branded sugar valuing Rs. 2,325.42 million from M/s Chashma Sugar Mill Unit I & II and M/s Premier Sugar Mills without advertisement on Authority's website nor in newspapers in violation of the above quoted rule of PPRs. The management directly entered into an agreement with above sugar mills without any bid or tender which was held irregular. Furthermore, management did not obtain earnest money/ security money valuing Rs. 600,000 from the suppliers.

Audit was of the view that the management was required to advertise the opportunity on Authority web site and in newspapers but no such action was taken by management.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that PPRA was not applicable in case of procurement of branded sugar. Committee was not satisfied with the explanation of the management and directed to hold inquiry for violation of the PPRs at Ministry level.

Audit recommends compliance of the DAC directive.

9.25.4.9 Irregular appointment of daily wage employee without approval of the USC head office - Rs. 11.24 million

According to letter No: 237-Estt/DW dated September 13, 2012 from Sr. GM (HR&A), all Regional Manager/Accounts Officer were directed that no payment will be made to the daily wagers who were engaged without approval of the USC Head Office and in case of 2nd violation of the head office directions, RM/AO would be responsible for the requisite amount which would be recovered from the salary of RM/AO.

During the audit of Utility Store Corporation (USC) for the year 2017-18 it was observed that the management of 13 regional offices engaged a large number of daily wage employees or continued the engagement of daily wage employees after the termination of their engagement period without obtaining any approval from head office during 2009 to 2012. Therefore, the engagement and payment of wages to these employees valuing Rs. 11.24 million was irregular.

Audit was of the view that the regional management was required to either terminate the engagement of daily wage employees after expiry of approved engagement period or obtain the approval of the USC head office for the re-engagement of these daily wage employees but no such approval was obtained.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that after retrenchment of 246 employees they got stay orders from NIRC and case was still pending. The DAC directed to pursue the court case.

Audit recommends compliance of the DAC directive.

**9.25.4.10 Irregular engagement /hiring of casual labor without advertisement
– Rs. 41.61 million**

According to Rule-12 (ii) of PPRs 2004, all procurement opportunity over two million rupees should be advertised on the Authority's website as well as in other print media or newspaper having wide circulation.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management was hiring the services of casual labour for loading and un-loading of commodities in warehouses from open market without adopting competitive bidding as required under the rules, therefore, the re-imbursement of bills on account of labour charges of Rs 41.61 million was held irregular.

Audit was of the view that the management was required to engage the labor contractor on competitive rates but it failed to comply with the PPRs. Therefore, payment of Rs. 41.61 million to casual labor was held irregular.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that they hire casual labour on need basis. The Committee was not satisfied with the reply of the management and directed to submit revised reply.

Audit recommends compliance of the DAC directive.

**9.25.4.11 Irregular payment of sales commission on deficient sales targets -
Rs. 66.89 million**

According to Clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage

and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management made payment of sales commission valuing Rs. 66.89 million despite the fact that regional sales staff was deficient in achievement of sales targets i.e out of total sales targets of Rs. 64,023.60 million for the year 2017-18 they achieved only sales worth Rs. 29,972.20 million hence achievement was only 54%. This resulted into unjustified payment of sales commission valuing Rs. 66.89 million.

Audit was of the view that the payment of sales commission incentive despite deficiency in achieving the sales targets was an extra financial burden on the corporation. Furthermore, management did not formulate any policy regarding payment of sales incentive and sales commission. Therefore, payment of commission valuing Rs. 66.89 million was considered irregular.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that the amount also includes shoplifting allowance to sales staff. The committee directed the management submit revised reply.

Audit recommends compliance of DAC directives.

9.25.4.12 Non-recovery from various organizations - Rs. 360.22 million

According to Clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal controls, which shall be effectively implemented at all levels within the Public Sector Company to ensure compliance of principle of probity and propriety

entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that an amount of Rs. 360.22 million was outstanding against various organizations from 2004 to 2015 which showed that no serious efforts were made by the management for recovery of the above outstanding amount.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that main amount relates to Emergency Relief Cell, Pakistan Bit ul Mal and National TB Control Programme for which efforts were being made. Committee was not satisfied with explanation of the management and directed to pursue the recovery.

Audit recommends compliance of DAC directives.

9.25.4.13 Non-recovery/ adjustment of sales return, stocks transferred to other regions – Rs.2,185.86 million

According to clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal controls, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that in several cases stocks valuing Rs. 2,185.86 million were returned to suppliers/transferred to other regions/warehouse adjustments etc

through stock debit notes but no confirmation of recovery/adjustment from these suppliers/Regions was available in the record of the respective region.

Audit was of the view that the management of respective regions was required to confirm the receipt/ return of stock to suppliers but no confirmation was received even lapse of ten years which was objectionable and showed poor performance/ weak internal controls.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that it was an ongoing process and only SDNs for the period prior to introduction of Accounting Software were pending. The Committee directed to clear the same at an early date.

Audit recommends compliance of DAC directives.

9.25.4.14 Non termination of the services of excess daily wage employees hired after January 2017 - Rs 33.36 million

According to Minutes of 22nd Executive Board Meeting (EBM) held on January 31, 2018, the committee decided that excessive manpower hired after January 2017, should be relieved in view of the grievances of the CBA highlighted during National Assembly Standing Committee meeting held on January 31, 2018.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that during National Assembly question dated: January 31, 2018, CBA Union representative agreed to retrench the excess daily wage employees of the corporation recruited after January 2017. The management failed to terminate the services of 278 daily wage employees hired after January 2017 despite the orders of the Executive Board dated January 31, 2018 and agreement with CBA Union. This resulted into irregular continuation of the 278

daily wage employees and payment of salary and wages valuing Rs 33.36 million (Rs 15000 per month x 8 months x 278).

Audit was of the view that the management was required to immediately terminate the services of excess daily wage employees of the corporation in view of the present financial crunch of the company.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised that after retrenchment of 246 employees, they got stay orders from NIRC and case was still pending. The DAC directed to pursue the court case.

Audit recommends compliance of the DAC directive.

9.25.4.15 Appointment of Legal Advisors without approval of Law & Justice Division - Rs 12.88 million

According to Para-V of the letter of Government of Pakistan Ministry of Law, Justice and Human Rights Division dated: June 3, 2015, every Government Department or Semi Government or Public Corporate Body shall seek concurrence of the Law, Justice and Human Rights Division for engagement of lawyer where professional fee exceeds Rs. 300,000. In such a case concerned department will send a panel of at least three advocates for selection of one of them along with proposed professional fee for approval of Law, Justice and Human Rights Division.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that BoD in its 131st meeting held on January 08, 2016 formally approved the appointment of legal counsel Mian Shafqat Jan Advocate Supreme Court, Senior Partner Khan & Muezzin Barrister, Advocates & Legal Counsel and payment of legal fee amounting to Rs. 500,000 in connection with filing of writ petition No 3944/2015 on behalf of Board of Directors before

Islamabad High Court, Islamabad. Management moved the case for the approval of legal fee of Rs. 500,000 to Law, Justice and Human Rights Division through administrative ministry. The Law, Justice and Human Rights Division regretted to concur on the payment of the fee to advocate engaged by USC on their own without following the prescribed procedure and without lawful authority. The USC Head Office and Regional management also hired the services of legal counsels without forwarding the panel for the approval of the Law, Justice and Human Rights Division and made payment of legal fee of Rs. 13.68 million which was held irregular.

Audit was of the view that the management was required to forward a panel of legal counsel for the approval of Law, Justice and Human Rights Division but it appointed legal counsel at its own in violation of the prescribed procedure and without lawful authority by the division.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised that same para was printed which was settled by the DAC. Audit contended that the current para was regarding payment of Rs. 0.80 million to Mr. Ahsan Amin Gill, Rs. 1.07 million to other legal Advisors and Rs. 11.59 million by Regional Offices. The Committee settled the para to the extent of Rs. 0.80 million paid to Mr. Ahsan Amin Gill and directed to justify the payment to other legal advisors.

Audit recommends obtain ex-post fact approval of the Law, Justice and Human Rights Division in each case under intimation to audit.

9.25.4.16 Stores continuously running in losses - Rs. 310.71 million

According to Clause-3.09 & 3.12 of the Chapter-3 of the Stores Operational Manual 1982, the Regional Managers / Area Managers must analyze the performance and commercial viability of each store and devise ways and means for sale promotion at each ale outlet. The Regional Managers must follow

a proper monitoring system to identify unviable stores, which should be eliminated according to a suitable plan. The stores, which were serving no socioeconomic purpose, should be closed.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that 1678 stores in 25 regions sustained loss of Rs. 310.71 million but no corrective measures were taken by either head office or regional management. A legislative body of the Senate on May 05, 2016 gave six months' time to Utility Stores Corporation of Pakistan (USC) to improve its performance and stop corruption; otherwise, they would recommend the government to wind it up as it had no purpose to continue. The committee was of the view that department was involved in massive corruption and mismanagement.

Audit was of the view that the management was required to take measures to improve the sales of these stores but no action was taken and stores were continuously running into loss.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that they had moved case to Government and a rehabilitation plan of loss-making stores was also under consideration. The Committee pended the para for PAC.

Audit recommends compliance of the DAC directive.

9.25.4.17 Loss due to non-execution of the decree against ex-employee - Rs.1.22 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure will be adopted to minimize damages: (a) on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/

quantity in accordance with the GRN; (b) any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy; (c) from warehouse to stores the responsibility for damages will devolve in the Delivery Clerk/ Loader as the case may be; (d) After receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed:

- i. Management appointed Mr. Muhammad Ghazanfar s/o Sherbaz Khan of Rawalpindi as Store Manager in Islamabad Region vide office order dated: August 29, 1998 on personal guarantee of Mr. Muhammad Ameen s/o Sarwar of Rawalpindi. The Store Manager embezzled an amount of Rs. 1.22 million during September 14, 1998 to December 14, 1998.
- ii. Charge sheet was issued on December 31, 1998. The Inquiry Officer issued final show cause notice on March 15, 1999 but accused did not appear before the committee.
- iii. On the recommendation of the inquiry officer, the officer was dismissed from service.
- iv. The court announced the case in favour of the USC in February 2000 and management filed execution petition in March 2000 but since then the execution petition was not finalized and matter was subjudice.

This resulted into loss due to non-recovery of Rs. 1.22 million from the culprit since 1998.

Audit was of the view that weak internal controls resulted into embezzlement of Rs. 1.22 million by ex-employee. The management was required to actively pursue the execution petition but no recovery was affected despite engagement of best legal counsels.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that the case was pending in the court and would be adjourned. The Committee pended the para being subjudice.

Audit recommends pursue the execution petition vigorously for an early recovery.

9.25.4.18 Loss due to dumping of inventory of Awami Markaz Islamabad and payment of building rent – Rs. 24.80 million

According to clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal controls, which shall be effectively implemented at all levels within the public sector company, to ensure compliance with the fundamental principles of probity and propriety; the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to the following, namely (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed that:

- i. Management transferred huge inventory of Awami Markaz Islamabad valuing Rs. 5.30 million during 1992 and dumped at the upper storey of the Islamabad Region Warehouse. Afterwards management hired the warehouse from M/s Bakhat Amin & Co Islamabad in 1992 @ monthly rent of Rs. 0.75 million to store the inventory of ghee and sugar of Islamabad Region and Internal Audit Department.
- ii. The regional management time and again requested the head office management to make decision either to sell the saleable items out of the

- inventory of Awami Markaz Islamabad or dispose of the same to clear the space for storage of sugar and ghee/ oil at warehouse Islamabad Region.
- iii. During 36th Executive Board Meeting held on June 20, 2018, Managing Director informed that process for shifting of Audit Department from I-10 Islamabad to I-9 Islamabad would be accelerated which will save the cost of rent being paid by USC for hiring of building.
 - iv. However, no shifting had taken place till the close of audit which resulted into loss of Rs. 5.30 million and extra expenditure on hiring of building for warehouse valuing Rs. 19.50 million (Rs.750,000 x 26 months).

Audit was of the view that the management was required to decide the fate of inventory of Awami Markaz Islamabad lying in the warehouse of Islamabad Region for the last 26 years but due to mismanagement no executive decision was taken. Management was also required to de-hire the warehouse of ghee and sugar to avoid recurring extra expenditure on rent but no decision was taken till the finalization of this report.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they had vacated the space hired for the warehouse. Committee showed displeasure over dumping of inventory since 1992 and directed to arrange sale of the saleable inventory.

Audit recommends compliance of the DAC directives.

- 9.25.4.19**
- i. Unjustified charging of profit on banks balances - Rs 419.25 million**
 - ii. Irregular retention of profit by National Bank of Pakistan – Rs 8.29**

According to Sr. No 2 of Terms and Conditions of agreements with MCB, MCB will calculate profit on daily basis (compound interest method) on closing balance of the day on the very next day @ 10.50% P.A and disbursement will be made on 1st of every month.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that:

- i. A comparison of Bank Receipt Voucher No. 13 dated May 07, 2018 regarding sales proceeds received in main collection account of MCB bearing No 181 G-9 Markaz Islamabad with three other bank accounts offering daily product basis profit revealed that banks were offering special approved rates without any agreement up to certain limits set by the bank itself.
- ii. In MCB and UBL, the banks were offering maximum special rates to the corporation up to 5.25% and 5.65% without any set terms and conditions of deposit limits.
- iii. Audit demanded the details of process of retaining these banks on different slabs/profit rates, which was not provided for clarification.
- iv. As per bank statement of HBL transpired that bank was crediting the profit @ 4.675% instead of offered rate of 6.07% with one month impact of Rs. 289,611. This was an instance of one bank in one month, so an analysis of the data of all banks for a whole year may reveal a greater impact.

Details of monthly balances details of main collection accounts bank were as under:

Name of Banks	Offered rate on daily product profit basis (%)	Amount of balances based on month of May & June 2018 (Rs.)
MCB	5.25	232,716,578.40
UBL	5.650	87,418,362.53
HBL	6.07	9,279,268.09
NBP	5.50 on 6 return on balance	89,840,029.72
		419,254,238.74

The management extended undue favour to National Bank of Pakistan by accepting six monthly credit of corporation's sales proceeds instead of credit on

daily basis like other main collection banks. Therefore, NBP credited net profit of Rs. 8.29 million less withholding tax after six months in January 13, 2018.

Audit was of the view that the management should have negotiated an interest rate favorable to corporation on deposits of its wide network of stores. Due to poor financial management, every bank was paying its own per day interest rate by setting the limit on daily deposits of stores. Therefore, either management failed to perform its statutory obligation or the same was an extension of undue financial favor to the bank at the cost of the corporation. Thus, retaining of the banks offering their own determined rates without any policy may cause loss on average daily balance of Rs. 419.25 million to the corporation.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that NBP was crediting the interest after six months as per their system. The Committee was not satisfied with the reply and directed to submit revised reply.

Audit recommends compliance of DAC directives.

9.25.4.20 Recurring losses due to non-closure of unviable stores - Rs. 14.03 billion

According to Clause-3.09 & 3.12 of the Chapter-3 of the Stores Operational Manual 1982, the Regional Managers / Area Managers must analyze the performance and commercial viability of each store, devise ways, and mean for sale promotion at each ale outlet. The Regional Managers must follow a proper monitoring system to identify unviable stores, which should be eliminated according to a suitable plan. The stores which were serving no socioeconomic purpose should be closed.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that the management opened 5,000 stores upto union council

level during the year 2008 on the direction of Federal Government for provision of essential commodities on subsidy basis. The Federal Government in the year 2012-13 discontinued the provision of subsidy on above-mentioned commodities. Economic Coordination Committee in its meeting held on April 15, 2014, decided to discontinue the subsidy on sugar, due to which more than 2,000 stores operating in rural areas became commercially unviable and had serious impact on overall sales of company. Presently 472 stores were making sales less than Rs. 100,000. As per sales reports of first quarter of the 2016-17, at least 64% stores were running in losses and present position was even worse. The Board Audit Committee also decided to hold accountable the employees responsible for the losses. The sales of the company decreased considerably during last five years as detailed below:

(Rs. in billion)

S No	Year	Sales	Net Loss
1.	2013-14	87.349	0.202
2.	2014-15	59.011	2.203
3.	2015-16	50.373	3.074
4.	2016-17	59.005	3.854
5.	2017-18		4.700*
	Total		14.033

(budgeted figure)

Audit was of the view that due to mismanagement, inefficiency and corruption management was sustaining recurring losses due to non-closer of the unviable stores. Management was required to present the case with full facts and figures to administrative ministry for the closure of unviable stores and reduce the ever increasing losses of the corporation otherwise the corporation could become bankrupt.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they had moved case to Government and a rehabilitation plan of loss making stores was also under consideration. The Committee pended the para for PAC.

Audit recommends compliance of the DAC directive.

9.25.4.21 Loss due to non-recovery of balances appearing in Memorandum Register - Rs. 1,708.95 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure would be adopted to minimize damages; a. on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/ quantity in accordance with the GRN. b. any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy. c. from warehouse to stores the responsibility for damages will devolve in the Delivery Clerk/ Loader as the case may be. D After receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed that heavy recoverable balances of Rs. 1,708.95 million from serving, ex-employees, court cases and NICL cases were appearing in shortage recoverable register (Memorandum Register) maintained in 15 Regional Offices. This resulted into loss due to non-recovery of Rs. 1,708.95 million.

Audit was of the view that due to slackness of regional management huge amount were recoverable since long. Management did not accounted for interest due from the defaulter employee @ 18% per annum above the 2% shortage, which needs to be recovered.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that these were the balances recoverable from serving employees, ex-employees, court cases and NICL cases. The Committee directed to pursue the recovery.

Audit recommends compliance of DAC directives.

9.25.4.22 Expected loss due to non-return of damaged/ expired items to vendors - Rs. 125.37 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure will be adopted to minimize damages; a. on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/ quantity in accordance with the GRN. B. any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy. c. from warehouse to stores the responsibility for damages will devolve in the Delivery Clerk/ Loader as the case may be. d. After receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that in 30 regional warehouses huge inventory of damaged / expired items was available but no efforts were made to return the same to respective vendors which result into loss of Rs. 125.37 million.

Audit was of the view that there was no control on regional warehouses of the Stores Operation and Sales (SO & S) Department of USC head office and regional management was at liberty to furnish whatever demand of branded and commodity items without any analysis of sales and stock previously held.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that it was an ongoing process in which USC arrange return of damaged/ expired items from vendors. The Committee directed the management to get the expired/ damaged items of Lahore Region verified by Audit.

Audit recommends compliance of DAC directives.

9.25.4.23 Loss due to excess consumption of poly/ shopping bags – Rs 14.27 million

According to Clause-5 (a) of public sector companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the public sector company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed that Incharge of warehouse of 23 regions consumed excess poly/ shopping bags against prescribed limit of actual stock sold which resulted into loss of Rs. 14.27 million.

Audit was of the view that the management and accounts staff of the respective regions were required to check the excess consumption of poly/ shopping bags but they failed to do so which resulted into loss of Rs. 14.27 million.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they have consumed the poly/ shopping bags in accordance with sale. The Committee directed to get verify the consumption of poly/ shopping bags of Lahore Regions.

Audit recommends compliance of the DAC directive.

9.25.4.24 Dumping of stocks of Coca Cola in Multan Zone due to excess procurement and non-lifting of stocks – Rs. 1.90 million

According to Clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that Zonal Manager Multan requested Senior GM (Coordination) USC Head Office Islamabad on November 30, 2017 and to General Manager (M&B) Head Office on December 13, 2017 to approach M/s Coca Cola to revise the price of 78,583 bottles of Coke, sprite, Fanta valuing Rs. 7.343 million to be expired on February 17, 2018 and March 26, 2018 being un-seasonal and sale was very slow. The GM (M&B) on January 19, 2018 directed the M/s Coca Cola to lift back the stock near to expiry/ excess stocks from regions of Multan Zone without investigating the matter regarding procurement of excess stocks. According to USC Finance-III record dated: August 31, 2018 vendor had lifted a quantity of 62,388 bottles valuing Rs. 5.45 million instead of 78,583 bottles valuing Rs. 7.34 million hence a quantity of 16,195 valuing Rs. 1.90 million was not lifted by the vendor which was a loss to the company.

Audit was of the view that the management was required to investigate the matter regarding excess procurement of stocks without keeping in view the sales pattern of the Multan Zone and non-sales of the same but no action was taken by the General Manager (M&B).

During discussion on October 04, 2018, management stated that an inquiry was conducted into the matter and stocks have been lifted by the vendors and clearance certificates have been issued by the regions of Multan Zone. The reply was not convincing, as entire stocks were not lifted by the vendors. Furthermore, management did not provide the copy of inquiry report and proof regarding adjustment of stocks in the books of accounts.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that the stocks were liquidated and there was no loss to USC. The Committee directed the management to provide record of the liquidation of stocks for verification. The documents regarding liquidation of balance stocks worth Rs.1.896 million was not provided till the finalization of this report.

Audit recommends compliance of DAC directives.

9.25.4.25 Irregular procurement of sub-standard ghee/ oil and non-deduction of penalty from vendor - Rs. 25.50 billion

According to clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses. Moreover, according to clause-2(d) of the agreement dated: October 21, 2014 between USC and M/s Oil World Mill would provide the goods in accordance with PSQCA's approved specification strictly in accordance with USC Purchase Orders.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that the management was marketing utility ghee/

cooking oil under a bipartite agreement with M/s Oil World (Pvt) Ltd for the last eleven years. On October 26, 2016 District Drug Inspector / Food Authority, Mirpur (A&JK) alongwith Extra Assistant Commissioner inspected the Utility Stores Mirpur City and seized substandard adulterated stocks of utility ghee/ oil after checking the sample from NIH Laboratories on November 8, 2016 which do not confirm to the cooking oil standard prescribed by PSQSA. On the direction of Chief Justice of Pakistan in a suomoto notice on January 05, 2017 PSQCA Report depicted that stocks of M/s Oil World were found non-conforming to PSS-221/2010 by PSQCA and USC management decided to stop the purchase and sale of utility ghee/ oil. A stock of 3029.143 m. ton utility ghee/ oil was lying in the warehouses/ stores as on January 13, 2017 when honorable Supreme Court took notice of the subject case, while stock of 1803.29 million was sold during January 10, 2017 to January 13, 2017 and stock of 1225.853 m. ton was returned to vendors / ghee mills during January 13, 2017 to April 30, 2017 total value Rs. 25,500.00 million. The Management failed to deduct penalty for supply of substandard ghee/ oil to utility stores corporation valuing Rs. 3.03 million they also paid commission on sale of substandard utility ghee to its sales staff amounting to Rs. 859.37 million during 2017-18 which was held irregular.

Audit was of the view that the management was required to obtain quality certificate on quarterly basis from the vendors but no quality certificate was obtained. Furthermore, administrative ministry was required to investigate the matter with a high level inquiry committee but no action was taken against the officers/ officials responsible for procurement and sale of substandard utility ghee/ oil. Furthermore, management was required to deduct penalty from the pending payments of the vendors but payments were released without any deduction in violation of the above clause of the agreement, which was undue favour.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that USC stopped the sale of utility ghee after court commitment and un-sold stocks were returned to the respective vendors and

penalty was also recovered from vendors except M/s IFFCO. Accepting the explanation of the management Chairman DAC settled the para. Audit did not agree with the decision and asked the management to affect recovery of Rs.1.95 million from IFFCO and fix responsibility of the loss which resulted into huge decrease in corporation sales.

Audit recommends compliance of DAC directives.

9.25.4.26 Loss due to less deduction of withholding income tax from vendors - Rs 152.33 million

According to Section 153 (1) (a), Changes in withholding provisions of Income Tax Ordinance 2001, Finance Act 2016, deduction of tax at source for sale of rice, cotton seed oil and edible oil under withholding income tax regime, tax @ 1.5% of gross amount and for sale of any other goods (i) in the case of company filer was @ 4% and (ii) in case of non-filer @ 8%.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management ignored the clause of withholding of income tax as per standing instructions of the above noted criteria and extended undue benefit to the vendors of ghee & oil at the cost of public exchequer. Audit checked the payment of ghee & oil brands companies on test check basis for the period 2016-17 up to cut off date i.e. January 2017 (as intimated by Finance II) when rate of withholding tax changed from 1.5% to 4%. Thus, due to delay in implementation of withholding rates @ 4% on the invoices of vendors of ghee & oil w.e.f July 01, 2016 to June 30, 2017 or before as per the above mentioned criteria resulted into loss of Rs. 152.33 million.

Audit was of the view that due to imprudent decision of the management to charge less withholding tax from the payments of vendors proved that management either failed to perform its statutory obligation regarding deduction of tax or the same was just an eyewash to extend undue financial favour to the vendors/ firms at the cost of public exchequer.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that there was no loss to the national exchequer as it was not Final Tax Liability since there was clarity on the issue by FBR. The Committee considering the facts of the issue settled the para subject to settlement of Final Tax Liability.

Audit recommends compliance of the DAC directives.

9.25.4.27 Huge inventory of Chakki Basin lying in the stores and warehouses - Rs. 20.92 million

According to decision of the 143rd meeting of USC Board held on April 10, 2018, Zonal Managers should generate the demands after reviewing the Region wise statistical data of last three years procurement, sales and closing stocks. If the stocks are build up due to excess procurement, then Zonal Managers should be held accountable.

During the audit of USC Zonal Office Lahore for the year 2017-18 it was observed that the management procured a quantity of 131.428 m. ton valuing Rs. 20.92 million chakki basin for 2018 but it could not be transferred to stores and since then and was lying in the stores and warehouses of zone which might cause a loss to the corporation.

Audit was of the view that the management was required to raise demand of chakki basin as per actual requirement but demand was raised without keeping in view the sales of the item and climatic effects and possibility of worms on chakki basin due to long storage.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that the stocks were procured keeping in view of the last

year sales and efforts were being made to sale the stocks till March 2019. The Committee directed to liquidate the stocks at an early date.

Audit recommends compliance of DAC directives.

9.25.4.28 Loss due to theft of polythene bags - Rs.0.95 million

According to circular order No.4/SO&S/2007 dated January 24, 2007 and No.06/SOS/2010 Dated June 03, 2010, the regional manager and store in charge are responsible to ensure the safe and secure operation of stores. Ensure that proper security measures have been adopted and security guards/chowkidars deployed at warehouse/stores are available and performing their duties as per instructions issued from time to time.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that an incident of theft and sales of USC polythene bags in open market took place in Chakwal Region. As per Assistant Vigilance Officer Report, a vehicle (Mazda Truck No: LES 4996) loaded with 20 sacks of USC polythene bag worth Rs. 53,900 was caught by a Police which were reportedly being sold to somewhere in Muridke. The management ordered a fact finding inquiry. As per Fact Finding Report the shopping/ polythene bags were short from very beginning, Incharge Warehouse does not gave any attention to the shortages. The incident of selling shopping / polythene bags on August 7, 2014 was claimed as wastage by Incharge Warehouse, which was actually shortage worth Rs. 1.49 million. A surprise audit of warehouse (commodity) of USC Chakwal Region was carried out on August 9, 2014 and shortage detected of stocks / polythene, shopping bags amounting to Rs.1.28 million. Consequently after through inquiry, charges were proved and authority on January 11, 2017 decided that culprits should deposit Rs. 1.28 million.

Audit was of the view that the management was required to finalize the inquiry and affect recovery from the culprits but no action was taken which was held irregular. Furthermore, shortage of stocks and embezzlement by employees

was an inherent problem of the corporation over the years but USC Board of Directors had no Whistle Blowing Policy which results in frequent cases of shortages and embezzlement.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that an amount of Rs. 325,000 has been recovered from the culprits. The Committee reduced the para to the extent of recoverable amount of Rs. 949,696.

Audit recommends compliance of DAC directives.

9.25.4.29 Purchase and sale of ghee / cooking oil declared unfit for human consumption by Punjab Food Authority - Rs. 3,412.26 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure will be adopted to minimize damages, a. on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/ quantity in accordance with the GRN. b. any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy. c. from warehouse to stores the responsibility for damages will devolve in the Delivery Clerk/ Loader as the case may be. d. After receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management made procurement and sale of certain commodities which failed in PFA sample tests of Kausar Banaspati, Zaiqa Banaspati, Mujahid Banspati, Gaye Banspati, Darja-e-Awal Banspati/ cooking oil, Hafeez Banspati, Handi Cooking Oil, Handi Banspati, Soya Supreme Banspati despite declaration unhealthy/ harmful for human consumption.

Audit was of the view that quality control of the oil and other edible products in USC was very poor. In this year of information technology management was continuing with ancient manual system without any innovation which resulted into procurement and sale of ghee brands declared unfit for human consumption by Punjab Food Authority. Board and its committees were in the knowledge of this declaration by the Punjab Food Authority but management continued with the procurement and sale of unfit ghee brands and playing with lives of poor Pakistani peoples. The management was also required to have a close liaison with Punjab Food Authority to avoid procurement and sale of items unfit for human consumption.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they awarded the contract to M/s Kausar Ghee after clarification from Punjab Food Authority. The Committee settled the para to the extent of M/s Kausar Ghee and directed to submit detailed reply for remaining companies.

Audit recommends compliance of DAC directives.

9.25.4.30 Excess procurement of ghee and oil products from New Sohail Dairies products - Rs. 7.80 million

According to Paragraph-1& 3 of the Circular Order No: 131/SOS/2018-568 dated: May 03, 2018, all ZMs and RMs will be held accountable for accuracy of demands and any disproportionate leftover stock will be considered as negligence and misconduct. To avoid over stocking in warehouses each incharge will prepare demand of fast selling items only for the quantity required for 15 days. All concerned must be vigilant of seasonal / quick perishable stock.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management of Sahiwal, Okara, Sialkot, Gujranwala, Lahore (North) and Lahore (South) regions issued excessive purchase orders for

the procurement of ghee and oil products of M/s Dalda Foods, Habib Oil Mills and New Sohail Dairies without keeping in view the previous sales pattern in violation of above referred directives of USC head office. This resulted into procurement of excessive ghee / oil from these producers. A large quantity was 478.40 m. ton ghee /oil valuing Rs. 100.14 million was lying in warehouses of respective regions and same was shifted / transferred to other regions to normalize the excess quantity purchased. Thus, purchase of excess stocks was held irregular.

Audit was of the view that the USC head office management was required to inquire the matter regarding excess procurement of Dalda/ Habib Oil stocks by ZM/ RMs of Sahiwal, Okara, Sialkot, Gujranwala, Lahore North and Lahore South regions but no action was taken against the persons involved in excess procurement. Furthermore, the status of the sale of transferred stocks in respective regions was not available with the management.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that the stocks have been lifted by M/s Dalda Oil and Habib Oil Mills and same was verified by Audit. The Committee accepted the explanation of the corporation and para to the extent of M/s Dalda Oil and Habib Oil Mills was settled. The committee further directed to get the stock lifting by M/s Shail Dairies verified from Audit.

Audit recommends compliance of DAC directives.

9.25.4.31 Loss due to less achievement of sales target - Rs 17,226.56 million

According to Clause-3.07 of the USC Stores Operational Manual 1982, in order to provide a guideline to all Regional Managers, sales target excluding sales of confiscated goods based on their previous performance and on minimum sales turn over expected for each division were fixed for each financial year. The sales targets for individual stores were also fixed by the Head Office. The regional

sales targets are subject to revision, based on the decrease or increase in the number of stores.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the corporation sustained the loss of Rs. 17,226.56 million due to non-achievement of sales targets set for Ramazan Package 2018 by zones despite the fact that the management claimed Ramzan subsidy from the government of Pakistan. Further probe in to the matter revealed that sales targets were fixed by considering the actual sales of Ramzan 2017 but sales fallen short of Rs. 8,907.81 million i.e. 53% short of the previous year sales targets.

Audit was of the view that the zonal management could not ensure the achievement of sales targets fixed by the head office or the head office management not consulted the zonal managers while setting targets of Ramzan sales. Thus, non achievement of sales targets was termed as in-efficient performance of Zonal Managers, causing the loss to the corporation.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that sales targets fixed for Ramzan 2018 could not be achieved due to non-availability of stocks as per requirement. The Committee was not satisfied with the explanation of the management and directed to submit revised reply.

Audit recommends compliance of the DAC directive.

9.25.4.32 Non-compliance of the Public Sector Companies (Corporate Governance) Rules 2013

According to Rule-5(7) (j), 5(7) (m) and 5(7) (n), (Public Sector Companies (Corporate Governance) Rules 2013, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the

fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders. The Board shall also formulate significant policies of the Public Sector Company, which may include the following, namely: (j) Corporate social responsibility initiatives including, donations, charities, contributions and other payments of a similar nature; (m) health, safety and environment; (n) development of whistle-blowing policy and protection mechanism;

During audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that following instances of non-compliance of the requirements of the Public Sector Companies (Corporate Governance) Rules 2013 were observed as detailed below:

S. No	Required rule	Non compliance
1.	Rule 5(7)(j), 5(7)(m) and 5(7)(n)	The Board has not formulated significant policies regarding Corporate Social Responsibility, Health Safety and Environment, Whistle Blowing Policy and Protection Mechanism.
2.	Rule 5(2)	The Board has not formulated succession planning of the Chief Executive.
3.	Rule 5 Sub Clause 4	The company has not uploaded the Code of Conduct on company's website.
4.	Clause-5 (5b) (ii)	The Board has not developed and enforced an appropriate conflict of interest policy.
5.	Clause-5 (5b) (vi)	The Board has not developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the company.
6.	Clause-5 (6)	The Board has not developed a vision or mission statement and corporate strategies of the company.
7.	Clause-8	A mechanism for the evaluation of the Board's performance is not yet in place.
8.	Clause-10	The Board has not approved the profit and loss account for and balance sheet as at the end of the third quarter of the year and it has also not placed the

		annual financial statements on the company's website.
9.	Clause-11	There was no orientation course arranged by the company for the board during the year.
10.	Clause-13(1)	The Board did not appoint a separate Company Secretary (CS) and Chief Internal Auditor (CIA) since the last CS and CIA has resigned. Currently the Chief Financial Officer (CFO) is acting as the CS and there is no acting CIA of the company.

The non-compliance was since 2013 i.e. adoption of the Public Sector Companies (Corporate Governance) Rules 2013 which was highly objectionable and requires immediate attention of the Board of Directors.

Audit was of the view that due to lack of supervision and oversight by the Board, above non-compliance occurred. Furthermore, Board was required to arrange immediate compliance of the above rules but no effort was made to comply the same.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they were arranging compliance of the Corporate Governance Rules. The Committee directed to arrange full compliance of the subject rules.

Audit recommends the compliance of the DAC directive.

9.25.4.33 Non appointment of Chief Internal Auditor & Company Secretary

According to Rule 25 of the Public Sector Companies (Corporate Governance) Rule 2017, whoever fails or refuses to comply with, or contravenes any provision of these rules, or knowingly and willfully authorities or permits such failure, refusal or contravention shall, in addition to any other liability under the ordinance, be punishable with fine. In the case of continuing failure, to a further fine, as provided in sub-section (2) of section 506 of the ordinance. USC

BoD in its 117 meeting held on May 16, 2014 approved the post of chief internal auditor of the company.

During audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that company had terminated the services Chief Internal Auditor and Company Secretary in 2017. Since then these vacancies were falling vacant and CFO was given the additional charge of Company Secretary which was held irregular being violation of Corporate Governance Rules 2017. During BoD in its 139th meeting held on February 10, 2017 it was informed that SECP had issued the Show Cause Notice to all the Board Members on account of non-compliance of the Public Sector Companies (Corporate Governance) Rules, 2017. The company had taken up the matter with SECP and it was informed that Audit of the financial statements for the year ended June 30, 2016 is under process and on finalization of Audit Compliance Report will be submitted to SECP but since then no progress was made in this regard. Furthermore, as per report of the external auditors of the company M/s BDO EBRAHIM & CO Chartered Accountants for the year ending June 30, 2012 & 2016-17 also showed their reservations in management letter in this regard.

Audit was of the view that Board was required to immediately appoint CIA and Company Secretary but these vacancies were vacant for the last year, which was held irregular.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that hiring process was initiated. The committee directed to complete the hiring process at the earliest.

Audit requires compliance of the SECP Rules and DAC directive.

9.26 Aik Hunar Aik Nagar

9.26.1 Introduction

Aik Hunar Aik Nagar (AHAN) is a limited company by guarantee, incorporated on October 17, 2007 under Section 42 of the Companies Ordinance 1984. The Company is wholly owned subsidiary of Pakistan Industrial Development Corporation (Pvt.) Ltd (PIDC), Ministry of Industries and Production, Government of Pakistan. The overall objective of the Company is to uplift, develop and build up the capacity of artisans and poor producer groups in Pakistan by providing support in cluster formation, product development, marketing entrepreneurship, linkages with relevant institutions and to establish and arrange for the pilot projects or do any other activity to achieve aforementioned objectives.

AHAN has provided a platform for rural artisans and craft persons to place and promote their products in better markets through establishing linkage and participation in exhibitions and fairs. It conducted data collection exercise on non-farm product sector such as, carpet, silver jewelry, wood work, ceramics, leather, straw work, textile and ajrak.

9.26.2 Comments on Audited Accounts:

9.26.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

9.26.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. (*refer Annex-2*)

9.26.2.3 The working resulted of the company for the year 2016-17 as compared to the previous years are as under:-

(Rs in million)

	2016-17	% Inc/ Dec	2015-16	% Inc /Dec	2014-15
Income					
Grant income	18.54	(72)	66.26	(50)	131.51
Trading income-net	2.57	335	0.59	(82)	3.26
Other income	5.79	15	5.03	(40)	8.41
Total Income	26.90	(63)	71.87	(50)	143.18
Expenditure					
Programme activities cost	27.38	(69)	89.37	31	68.40
Administrative Costs	39.54	(26)	53.51	(24)	70.03
Total Expenditure	66.92	(53)	142.88	3	138.43
Deficit before provision of tax	-40.02	(44)	-71.01	(1595)	4.75
Provision for taxation					
Deficit for the year	-40.02	(44)	-71.01	(1595)	4.75

(Source : Annual Audited Accounts)

The company has a deficit of Rs 40.02 million in 2017 and Rs 71.01 million in 2016 and accumulated deficit amounting to Rs 490.30 million .The company incurring continuous operational losses and is dependent on continuous support/funding from Government of ,Pakistan through Industrial Development Corporation (PIDC). Efforts need to make enhance the company's ability to continue as going concern.

9.26.2.4 Trading income was 9.5 % of total income during 2017 and 0.82 % during 2016. Management should control cost of production and increase cluster support sales by introducing new market strategy.

9.26.2.5 An amount of Rs 3.04 million was showed as gain on disposal of property and equipment during 2017. However, detail of disposal was not available. Management should have provided detail and approval of competent authority.

9.26.2.6 External Auditor of the company during 2014 reported that auditors were unable to satisfy with inventories quantities. Management should have maintained inventory management system to ensure the true value of stock and assets. Physical existence of stock and inventory was not ensured.

9.26.2.7 Company entered into two projects “Central Craft Development Project”(CCDP) and “Northern Punjab Craft Development” (NPCDP) with Pakistan Industrial Development Corporation which was revised into new project National Craft Development Project . The management of Company received Rs 150.42 million against approved funding of Rs 159.9 million. However, Rs 9.48 million not received against the NPCDP. Similarly in Rural Craft Development Project (RCDP) the company received Rs 134.13 million against Rs 200 million from Holding company PIDC . The reason may be explained for non recovery against agreed amounts.

9.26.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14				8.13.1&8.13.2.1,8.13.2.2,8.13.2.3,8.13.2.4,8.13.2.5,8.13.2.6,8.13.2.7,8.13.2.8,8.13.4.1,8.13.4.2	
Total	10	0	10		

Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

Note: Audit paras’ portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

Chapter-10
Ministry of Information, Broadcasting and National
History & Literary, Heritage Division

10.1 Pakistan Television Corporation Limited

10.1.1 Introduction

Pakistan Television Corporation Limited (PTVC) was established as an un-quoted public limited company under Companies Act 1913 (Now Companies Act 2017) on Nov 26, 1964. All its shares are held by Government of Pakistan. There is no change in the pattern of shareholding of company since incorporation.

The main purpose and objectives of the corporation are:

- i. To provide television broadcasting services by telecasting programs of all kinds, news pictorials and documentaries, local and foreign films of all kinds and nature for the purpose of disseminating information, education and entertainment.
- ii. To carry out instructions of the Government of Pakistan with regard to general pattern or policies of programs, announcements, news etc.
- iii. To carry on the business of commercial advertisement by selling programs and advertising time of television stations either directly or through advertising agencies or by setting up advertising agencies or by other means.

10.1.2 Comments on Audited Accounts

10.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

10.1.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. (*refer Annex-2*)

10.1.2.3 The working results of the corporation for the year 2016-17 as compared to previous years were as under:

(Rs in million)

	2016-17 Restated	%Inc /(Dec)	2015-16 Restated	%Inc /(Dec)	2014-15 Restated
Revenue net	10,160.60	2.15	9,947.07	(8.98)	10,928.52
Operating expenses	7,238.75	(6.06)	7,705.69	3.45	7,448.71
Admn expenses	3,568.04	(1.82)	3,634.05	43.74	2,528.28
Finance cost	31.25	(32.49)	46.29	8.99	42.47
Total expenditure	10,838.03	(4.81)	11,386.03	13.64	10,019.46
Operating profit / (loss)	(677.42)	(52.92)	(1,438.97)	-	909.06
Other operating Income/ (loss)	59.31	(59.94)	148.06	(33.51)	222.67
Profit/(loss) before tax	(618.11)	(52.12)	(1,290.91)	-	1,131.73
Taxation	30.65	(22.89)	39.75	(3.24)	41.08
Profit/(loss) after tax	(648.76)	(51.25)	(1,330.66)	-	1,090.66
Earnings/ (loss) per share	(15.25)	(51.25)	(31.28)	-	25.64

(Source: Annual Audited Accounts)

The revenue of the corporation increased by 2.15% to Rs 10,160.61 million in 2016-17 from Rs 9,947.07 million in 2015-16 which was mainly due to increase in income from license fee collection by 21.61% to Rs 7,235.54 million in 2016-17 from Rs 5,949.72 million in 2015-16. However income from advertising decreased by 29.72 % to Rs 2,424.95 million in 2016-17 from Rs 3,450.24 million in 2015-16. The decrease in advertising income may be explained. Efforts need to be made to boost advertising income so that operating loss could be eliminated.

10.1.2.4 Operating expenditure included current affairs program expense which increased by 19.72% to Rs 169.85 million in 2016-17 from Rs 141.87 million in 2015-16. The increase in current affairs programme expense may be clarified.

10.1.2.5 Salaries, wages and other benefits included PTVC/CPF loan amounting to Rs 0.12 million and Rs 2.42 million written off in 2016-17. Detail of CPF

written off along with factors leading to non-recovery of CPF loan may be explained.

10.1.2.6 Capital work in progress slightly decreased by 4.77% from Rs 783.91 million in 2015-16 to Rs 746.51 million in 2016-17. The projects for provision of television facilities / services in remote areas were started and could not be completed even after lapse of more than eight years. Reasons for not completing the projects may be explained. Project wise details along with actual date of completion of each project may be provided.

10.1.2.7 Long term loans included loan amounting to Rs 47.35 million given to PTV Foundation. The loans were interest free and terms of payment have not been decided. There was chance of impairment loss for the amount as decision to wind up foundation was made by the BoDs. The corporation has made provision for doubtful receivables of Rs 40 million. The reasons for non deciding the terms of repayment may be explained. Steps need to be taken for recovery of loan from foundation.

10.1.2.8 Trade debtors of the corporation stood at Rs 2,489.76 million as at June 30, 2017. These included a sum of Rs 2,466.49 million receivable from advertisers and considered as unsecured. Party wise aging of trade debts and chances of its recovery need to be elaborated.

10.1.2.9 Receivable on account of program sales increased to Rs 314.80 million as at June 30, 2017 from Rs 314.72 million as at June 30, 2016. Reasons for increase and chances of its recovery need to be elaborated. Breakup of the same along with their aging may also be explained alongwith supporting documents.

10.1.2.10 External auditors of the corporation reported the following qualification which needs to be removed / resolved:

- i) The corporation has not prepared consolidated financial statements as required by Section 237 of Companies Ordinance 1984, and by IAS -27

consolidated and separate financial statement and IFRS -3 (Business combination) of its subsidiaries. The factors of the failure to consolidate subsidiaries could not be determined.

- ii) The Corporation has retained the pension fund with itself and not invested in the fund name. The present value of defined benefit obligation as at year end amounts to Rs 12805.20 million against fair value of its plan assets of Rs 641.08 million, which is in excess of Rs 12164.12 million and the accumulated loss of the Corporation amounted to Rs 2526.91 million (2016: Rs 1716.65 million) which casts significant doubt about the entity's ability to pay off the excess liability.

10.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1989-90	09	08	1	478	89
1990-91	06	04	2	362,364	67
1991-92	07	06	1	312	86
1992-93	05	3	2	212,214	60
1994-95	05	02	3	223,225,228	40
1996-97	05	03	2	184,187	60
1997-98	09	05	4	121,122,123,124	56
1998-99	06	04	2	1.1.4,2.1.1(SAR-55)	67
1999-00	09	02	7	165,166,168,169,170,172,173	22
2000-01	18	06	12	133,134,137,170,(1.1,1.1.1,1.1.3,1.1.2,1.1.5,1.1.6,1.1.7,4.11)	33
2001-02	03	02	1	158	67
2002-03	09	05	04	166.1,166.3,166.4,166.7	56
2003-04	08	06	02	126.2,130	75
2004-05	03	01	02	79,81	33
2005-06	12	10	2	154.2,154.4	83
2006-07	21	10	11	121.8,122,124,126,127,128,129,13	48

				0,133,121.6,123	
2007-08	06	05	01	100&100.1	83
2008-09	13	05	08	138,139,140,141, 142,143,144,145	38
2009-10	13	04	09	152,153,154,1 56,157,158,15 9,160, 155	31
2010-11	23	17	06	12.3.2.5,12.3.2.6, 12.3.2.7,12.3.2.13 12.3.4.5,12.3.4.7	74
2016-17	10	0	10	8.2.4.2,8.2.4.8, (8.2.1 & 8.2.2,8.2.3,8.2. 4.1,8.2.4.3,8.2. 4.4,8.2.4.5,8.2. 4.6,8.2.4.7)	-
Total	200	108	92		54

Overall compliance of PAC directives was not satisfactory which needs to be improved.

10.1.4 Audit paras

10.1.4.1 Irregular expenditure due to retention of staff over and above the sanctioned strength - Rs 130.66 million

According to Rule 5.04 of Chapter-5 of PTV Service Rules, actual staff strength of any unit of the Corporation will, at no time except with the prior permission of the MD exceed its sanctioned staff strength.

During the audit of PTVC for the years 2016-18 it was observed that excess staff was appointed in different categories over and above the sanctioned strength resulting into irregular expenditure of Rs 130.66 million on pay and allowances from July 2016 to June 2018.

Audit was of the view that the management has hired staff against the sanctioned strength which was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the staff has not exceeded from the overall sanction strength. The DAC directed that the procedure of posting staff over and above the sanction strength may be reviewed.

Audit recommends compliance of the DAC directive.

10.1.4.2 Irregular appointment of Design Coordinator - Rs 2.78 million

According to para 4 of the minutes of 184th meeting of BoD dated: April 23, 2009, job applications for various categories shall be received on a regular basis for which a data base was to be maintained. To further strengthen the data base, advertisement would be placed on PTVC website and newspapers periodically, inviting applications.

During the audit of PTVC for the years 2016-18, it was observed that Mrs. Saira Qamar was appointed as Coordinator in Design Department on contract basis at ETV Channel (PTV Home) Islamabad on monthly consolidated emoluments of Rs 100,000 per month on July 04 2016 for a period of one year without advertisement and she joined PTVC on July 13, 2016.

Further, just after four months of her appointment she was placed in professional pay scale (PS-1) equal to pay group-9 of PTV scales (controller) w.e.f November 25, 2016 vide office order dated November 30, 2016. Her salary was increased and fixed at Rs 117,000 per month alongwith mobile charges of Rs 3,000 per month, 4000 calls of office and 1600 calls at residence. She was paid Rs 2.78 million from July 13, 2016 to July 2018. This resulted into irregular appointment of Design Coordinator without advertisement and payment of pay and allowances of Rs 2.78 million.

Audit was of the view that her appointment without advertisement and subsequent placement in professional pay scale after four months was not covered under the terms and conditions of the appointment letter, hence considered irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC in its meeting held on January 16, 2019 directed that the case may be placed before BoD.

Audit recommends compliance of the DAC directive.

10.1.4.3 Irregular retention of employees despite bogus degrees - Rs 21.61 million

According to Rule 11.01 (XXII) of PTVC Employees Service Rules, giving false, incorrect or inaccurate information regarding name, age, father's name, qualification or previous service and experience, or anything related to previous employment at the time of employment is treated as mis-conduct.

During the audit of PTVC for the years 2016-18 it was observed that the degrees of four officials were declared as bogus by the concerned institutes but they were still working and their cases have not been finalized for disciplinary action by the competent authority. Non-finalization of the cases would extend the benefit to the delinquents to manage relief from the Courts. This resulted into irregular retention of employees whose degrees were declared bogus and payment of pay and allowances of Rs 21.61 million.

Audit was of the view that the management was required to terminate the services of these employees but it failed to do so. Furthermore, payment of Rs 21.61 million to these employees was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the cases are under process. The DAC directed that

the employees should be terminated immediately and the case may be referred to FIA for lodging FIR and recovery of illegal salary drawn.

Audit recommends compliance of the DAC directive.

10.1.4.4 Non-recovery of Islamabad Club Membership Fee - Rs 4.50 million

According to minutes of 216th meeting of BoD held on May 10, 2018, the BoD resolved to recover the Islamabad Club Membership Fee from whole time working Directors of PTV.

During the audit of PTVC for the years 2016-18, it was observed that the management paid Islamabad Club Membership Fee in respect of following four Directors during 2012-13:

S.No.	Name	Amount (Rs)
1.	Mr. Qazi Mustafa Kamal, Ex-Acting Director	1,500,000
2.	Mr. Asadullah Khan, Ex-DAP	1,500,000
3.	Mr. Asad Ahmed Jaspal, Director Security	1,500,000
4.	Mr. Fakhar Hameed, Director IT	1,500,000
	Total	6,000,000

The management was failed to recover the membership fee from these full time Directors of PTVC except Late Fakhar Hameed Ex-Director, IT. This resulted into non recovery of Rs 4.50 million from full time Directors.

Audit was of the view that the management was required to recover the membership fee from full time Directors as per directives of the PTVC BoD but it failed to do so.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the recovery orders were issued but the officers have

got stay order from Islamabad High Court against the recovery. DAC deferred the case being subjudice.

Audit recommends recovery in pursuance of BoD decision after court decision.

10.1.4.5 Irregular induction of staff against prescribed criteria - Rs 1,117.57 million

According to Rule 5.07 Chapter-5 of PTVC Service Rules, the age of a person at the time of entry into Corporation's service shall not be less than 18 years and not more than 35 years. Furthermore educational qualification would be at least 2nd Division.

During the audit of PTVC for the years 2016-18 it was observed that the management inducted staff against the prescribed criteria of age limit of 35 years and 2nd Division. The matter regarding relaxation in the criteria for regularization of staff was placed before the BoD in its 200th, 202th and 212th meetings but the Board did not agree to relax the criteria. The BoD in its 213th meeting held on October 31, 2016 again discussed granting waiver in the criteria already prescribed and advised the management to fix responsibility as how ineligible persons were inducted in gross violation of PTV Rules. The management of PTVC did not take any action as per BoD directions. This resulted into irregular induction of staff and payment of pay and allowances valuing Rs 1,117.57 million.

Audit was of the view that as per criteria for induction, the upper age limit was 35 years with 2nd Division but the above mentioned employees did not meet the criteria. The induction was made in disregard to the prescribed criteria and held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During its meeting held on January 16, 2019, DAC directed to fix responsibility as the appointments were made against the

prescribed procedure/criteria. The DAC also directed to share inquiry report with audit.

Audit recommends compliance of the DAC directive.

10.1.4.6 Irregular payment of pay & perks to ex-Chairman PTVC and payment of advertisement charges - Rs 117.19 million

According to Clause-95 of Memorandum and Articles of Association of PTVC, the BoD shall elect a Chairman of the company from amongst the Directors representing Government of Pakistan to preside over there meeting. Furthermore, according to Clause-95-A, Chairman shall not be entitled to any remuneration. However, he may be paid all or any of the expenses incurred in attending the BoD meetings or representing the company in any matter. The position of such Chairman shall be mainly honorary in nature and under no circumstances he shall be considered to be in the service of the Company.

During the audit of PTVC for the years 2016-18, it was observed that Ministry of Information, Broadcasting and National Heritage appointed Mr. Attaul Haq Qasmi as member and Chairman of the BoD for a period of 3 years vide Notification dated December 23, 2015. The Chairman assumed the charge w.e.f December 23, 2015. The management vide office order dated February 29, 2016 in pursuance of Ministry of Information Broadcasting and National Heritage letter dated February 29, 2016 fixed salary Rs 1.50 million per month (net of taxes). The Chairman was also entitled to T.A/D.A, Medical and Entertainment Allowance. The Chairman remained posted w.e.f December 23, 2015 to December 18, 2017 and tendered his resignation w.e.f December 19, 2017. The management made payment of pay/perks w.e.f December 23, 2015 to December 18, 2017 valuing Rs 53.39 million. Furthermore, management also made payment of Rs 62.80 million as advertisement charges for the TV Programe of the Chairman i.e “Khoay Hoaoon Ki Justaju” which was held irregular. This resulted into irregular payment of pay & perk and advertisement charges amounting to Rs 116.19 million (Rs 53.39 million + Rs 62.80 million).

Audit was of the view that according to Memorandum and Articles of Association, the post of the Chairman was honorary and payment of pay/perks to ex-Chairman was not in line with Memorandum and Articles of Association of PTVC and held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management stated that the case for appointment of Mr. Attaul Haq Qasmi, Ex-Chairman PTVC was also under hearing before Honorable Supreme Court of Pakistan which has been decided on November 08, 2018. As per decision, the learned Court has declared his appointment as illegal and ordered to recover pay/perks and other expenses of Rs 197.87 million from M/s Attaul Haq Qasmi @50%, Pervaiz Rasheed, Ex-Minister for Information @20%, Ishaq Dar, Ex-Finance Minister @20% and Fawad Hassan Fawad, Ex-Secretary to the Prime Minister @10%. DAC directed to pursue the recovery and get it verified from Audit.

Audit recommends compliance of the DAC directive.

10.1.4.7 Irregular purchase of SMD screen - Rs 3.60 million

According to Rule 12 (2) of PPRs 2004, all procurement opportunities over 2 million should be advertised on the authority's website as well as in other print media or news papers having wide circulation. Furthermore, according to Clause-42 (C-II) of PPRs 2004, Procuring Agency shall only engage in direct contracting if the following conditions exist namely: only one manufacturer or supplier exist for the required procurement. Provided that procuring agencies shall specify the appropriate fora which may authorized procurement of propriety object after due diligence.

During the audit of PTV Sports for the years 2016-18 it was observed that management purchased Surface Mount Device(SMD) Screen 10 X 13 feet valuing Rs 3.600 million from M/s M. Ahmad Trading Karachi and executed

agreement dated May 24, 2017 on the basis of single quotation (i.e direct contracting) stating propriety item without observing PPRs. This resulted into irregular purchase of SMD Screen valuing Rs 3.60 million.

Audit was of the view that direct contracting could be made only on availability of single supplier/manufacturer whereas as per Finance Manager note dated July 11, 2017, there were a number of firms and companies dealing with SMD rental and sale business i.e. M/s Optimum Technology Karachi, M/s Smart One Technologies Lahore and M/s OAS Enterprises Karachi. The management did not identify the appropriate authority to declare this procurement as propriety item which was also in violation of PPRs.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018 but no reply was received till the finalization of this report.

The DAC in its meeting held on January 16, 2019, pended the para till next DAC meeting.

Audit recommends to justify purchase of SMD Screen in violation of PP Rules and waiving off purchase procedure as MD was not authorize to waive off purchase procedure. Regularize the expenditure from the competent authority.

- 10.1.4.8**
- i Irregular payment to Director Sports for hosting sports programmes - Rs 8.18 million***
 - ii Excess payment of Talent Fee – Rs 4.09 million***

According to clause 1.08 of Booking and Fee Structure Policy, the employee of PTVC in special circumstances was allowed to participate in PTV's programmes as script writer, or performer. Employee so booked for PTV's programmes including Directors, Controller, General Managers and other officers of substantive Group-9 will be paid 50% of prescribed fee for which contract would be got signed .The Board in its 216th meeting held on May 10, 2018

debarred appearance of PTV employees on PTV screen as well as on the private channels as anchors/compare/news casters/performer.

During the audit of PTVC for the years 2016-18, it was observed that Dr. Nouman Niaz was appointed as Director (Sports) on regular basis w.e.f February 19, 2014. He was also hosting sports programme regularly since his appointment @ Rs 150,000 per programme and received payment of Rs 8.18 million during 2014-18 for appearance in programmes in contravention of Booking and Fee Structure Policy as special permission was not obtained in this regard. Furthermore, the participating employee was required to be paid 50% of prescribed fee but full fee was paid resulting into excess payment of Rs. 4.09 million which was held irregular. Dr. Nouman Niaz also continued hosting of sports programme even after debarring by Board in its 216th meeting and received an amount of Rs 8.18 million which was held irregular.

Audit was of the view that the management was required to pay only 50% of the prescribed fee to Director Sports but full fee was paid. Furthermore, the management required to stop the hosting of sports programme by Director Sports but no action was take in this regard which showed weak internal controls.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019 recommended that the case may be placed before BoD.

Audit recommends compliance of the DAC directive.

10.1.4.9 Irregular appointment of Chief Commercial Officer at exorbitant remuneration - Rs 7.50 million

According to Para 4 of the procedure approved by the BoD in its 184th meeting held on April 23, 2009 for induction of fresh and experienced professionals in PTVC, applications for various categories shall be received on a regular basis for which a database to be maintained. To further strengthen the data base advertisement will be placed on PTVC website and news papers

periodically inviting applications. According to Rule 6.07 of PTVC Employees Service Rules, appointment to all posts in Group-7 and above will be made strictly and exclusively on the basis of merit.

During the audit of PTVC for the years 2016-18, it was observed that the management appointed Mr. Ameen Akhtar as National Sales Manager on contract basis w.e.f August 01, 2007, the officer had resigned w.e.f September 08, 2017. The management again appointed the officer as Chief Commercial Officer on contract basis at Central Sales Office, Karachi at exorbitant salary of Rs 1.50 million per month vide appointment letter dated March 20, 2018. He submitted his joining on March 30, 2018. The appointment was approved by MD on March 07, 2018 and the officer was paid Rs 7.50 million upto August 2018. The appointment was termed irregular on the following grounds:-

- i. Criteria approved by BoD for appointment of professionals was not followed as vacancy was not advertised.
- ii. Application of the official for appointment as Chief Commercial Officer was not on record.
- iii. Educational certificates were also not on record.
- iv. Verification of educational certificates was also not made as per Government instructions.

The services of the officer were hired exclusively for increase in advertising income but revenue from advertisement decreased since his appointment till June 2018 as detailed below:

Month	2016-17 (Rs in million)	2017-18 (Rs in million)
April	112.762	141.909
May	104.876	19.068
June	800.894	330.748

Audit was of the view that the appointment of Chief Commercial Officer was made against prescribed procedure hence held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019 management explained that the appointment of Chief Commercial Officer without advertisement was made keeping in view of his expertise in the marketing field. The DAC directed to place the case before the BoD.

Audit recommends compliance of the DAC directive.

10.1.4.10 Irregular payment of Producer Allowance - Rs 5.90 million

According to the minutes of 163th meeting of Board of Directors held on October 26, 2004, producer allowance of Rs 2,000 per month was approved for all producers for the period they will be actively involved in the production of programmes. The payment of the said allowance would be subject to good quarterly report from the General Manager of the respective TV Centre.

During the audit of PTVC for the years 2016-18, it was observed that 123 producers were working at the following channels/centers and drawing producer allowance and an amount of Rs 5.904 million was paid during 2016-17 & 2017-18. The payment of said allowance was subject to good quarterly reports of producers from the respective Television Centre. However the management did not consider quarterly reports of GMs for the payment of said allowance and payment of producer allowance was made as routine as per detail given below:-

Name of channel/centre	No. of producer	Rate per month	No. of months	Total amount (Rs)
PTV Centre Lahore	19	2000	24	912000
PTV Sports/Training Academy	12	2000	24	576000
PTV Centre Karachi (PTV Home, PTV National, Sports Current Affairs)	37	2000	24	1776000
PTV Centre, Multan	6	2000	24	288000
ETV Centre, PTV Home, Islamabad	22	2000	24	1056000
PTV Centre, Peshawar	22	2000	24	1056000
AJK TV Centre	5	2000	24	240000
			Total	5,904,000

Audit was of the view that payment of producer allowance was made in violation of Board decision hence, held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the case for approval of the competent authority regarding recovery of producer allowance from the producers who were not covered under the approved criteria for payment of producer allowance is under submission. The DAC directed to recover the producer allowance from the ineligible producers.

Audit recommends compliance of the DAC directive.

10.1.4.11 Irregular appointment of PTVC employee in Associated Press of Pakistan - Rs 6.46 million

According to Rule 11.01 (xxii) of PTVC Employees Service Rules, giving false, incorrect or inaccurate information regarding name, age, father's name qualifications or previous service and experience or anything related to previous employment at the time of employment is treated as miss conduct.

During the audit of PTVC for the years 2016-18, it was observed that Mr. Gull Hassan was engaged as Resource Person (IT Deptt) on March 01, 2000. His services were regularized as Associate Graphic Engineering I.T (Group-4) vide letter No. HP/159/IT/10816 dated January 13, 2012 w.e.f January 11, 2012. It was noticed that management on May 29, 2017 asked Associated Press of Pakistan to confirm/verify employment of the official in APP. The Associated Press of Pakistan on June 05, 2017 confirmed that he was appointed Video News Editor w.e.f September 13, 2007. His contract services were regularized as video News Editor in Grade-III w.e.f August 14, 2012. After coming to know that the official is having dual appointment was charge sheeted on June 07, 2017. In the meanwhile official tendered his resignation from APP w.e.f June 05, 2017. The inquiry officer in his report dated July 11, 2017 found him guilty. Accordingly

his services were terminated w.e.f June 07, 2017 vide office order dated January 03, 2018. No criminal case was lodged against the culprit. He served in APP w.e.f September 13, 2007 to June 05, 2017 and also drawn salary of Rs 6.46 million from PTV.

Audit was of the view that due to loose internal controls of the corporation the official illegally got employment in APP and also drawn salary from PTV, which was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the official has been terminated from the service of PTV. The DAC recommended that the employee should be terminated from both organizations and recovery of illegal salary drawn be recovered beside lodging FIR.

Audit recommends compliance of the DAC directive.

***10.1.4.12 Irregular appointment of anchor twice on contract basis
– Rs 16.85 million***

According to para-04 & 05 of the minutes of 184th meeting of PTVC Board of Directors held on April 23, 2009, the job applications for various categories shall be received on a regular basis for which a database is being maintained. To further strengthen the database, advertisements will be placed on PTV website and newspapers periodically, inviting applications. Suitable candidates will be picked up from the existing database for interview/written test for fresh inductions by the selection board and finalization of terms and conditions of the selected candidates.

During the audit of PTVC for the years 2016-18, it was observed that Ms. Nusrat Haris, was appointed as Anchor Person/Host for morning show "Subhai Nou" on contract basis at TV Centre, Karachi for one year against monthly salary of Rs 200,000 on July 14, 2010 without observing the above criteria. Her contract and pay was extended/revised during July 2010 to April

2013 and payment of Rs 9.20 million was made. The lady tendered her resignation w.e.f April 14, 2013 without serving notice and thus she was required to pay one month's basic pay of Rs 190,322 in lieu of notice period but she did not deposit the same.

The lady was appointed as anchor current affairs after four years on contract basis for one year against monthly salary of Rs 450,000 per month vide appointment letter dated May 05, 2017 without following approved criteria. The application for the job and joining report was not available on record. She was paid Rs 7.65 million from April 01, 2017 to August 31, 2018. The appointment letter was issued on May 05, 2017 however her pay was started w.e.f April 01, 2017. The total payment on account of salary w.e.f July 14, 2010 to April 13, 2013 and from April 01, 2017 to August 31, 2018 worked out Rs 16.85 million.

Audit was of the view that the two times appointment of the lady anchor was against the prescribed procedure and pay was increased before expiry of contract hence, held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the appointment has been made as per approved criteria of the Board. The DAC directed to place the case before BoD.

Audit recommends compliance of the DAC directive.

10.1.4.13 Irregular induction of staff on fake degrees - Rs 20.17 million

According to the judgment of Honorable Supreme Court of Pakistan (Case 2009 SC MR 1497) no leniency should be shown in favour of employees possessing fake/bogus degrees/certificates. The Honorable Supreme Court of Pakistan authorizes to examine the possibility of getting registered criminal case against such employees so that in further no one should dare to commit such misconduct. Further, the authority awarding punishment of dismissal from service to an employee cannot re-instate him in service.

During audit of PTVC for the years 2016-18, it was observed that degrees of 51 employees inducted during 1997 to 2016 against different posts were declared bogus/fake by concerned universities/institutes. A sum of Rs 20.17 million (on average basis) was fraudulently drawn by these officials. Although the services of these employees have been terminated but criminal cases were not registered against them.

Audit was of the view that management did not immediately send the degrees for verification after employment which showed slackness on the part of management. The payment of Rs 20.17 million paid to these employees was irregular and needs recovery.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019, directed that the employees should be terminated immediately and the case may be referred to FIA for lodging FIR and recovery of illegal salary drawn.

Audit recommends compliance of the DAC directive.

10.1.4.14 Non-recovery of TV license fee - Rs 1,960.36 million

According to the Television Receiving Apparatus Rules 1970, the Government of Pakistan levied TV license fee on each and every TV set holder who has to pay monthly TV license fee @ Rs 35 per domestic and Rs 60 for commercial TV set. Under Agreement of 2004, the fee was to be collected through monthly electricity bills.

During the audit of PTVC for the years 2016-18, it was observed that an amount of Rs 2,345.92 million of TV license fee was recoverable from domestic

& commercial consumers since 2004-2005 to March 2018 as per detail given below.

S.No	Name of Distribution Companies	Total No. of default consumers	Recoverable amount of TV license fee for the period 2004-05 to 31-03-2018	Category Domestic & Commercial)
1.	FESCO	30,674	6,394,384	Domestic
2.	IESCO	30,639	7,709,729	Domestic
3.	GEPCO	21,465	4,834,493	Domestic
4.	LESCO	287,154	81,475,334	Domestic
5.	QUESCO	100,706	197,072,948	Domestic
6.	MEPCO	151,430	37,525,423	Domestic
7.	SEPCO	349,011	967,190,098	Domestic
8.	HESCO	399,326	697,033,169	Domestic
9.	PESCO	226,254	303,584,207	Domestic
	Total (Category-A)	1,596,659	2,302,819,785	
1.	FESCO	694	314,668	Commercial
2.	IESCO	1,000	497,275	Commercial
3.	GEPCO	709	268,866	Commercial
4.	LESCO	8,711	4,447,146	Commercial
5.	QUESCO	709	1,613,527	Commercial
6.	MEPCO	3,793	1,739,777	Commercial
7.	SEPCO	4,490	17,437,659	Commercial
8.	HESCO	5,287	14,347,080	Commercial
9.	PESCO	1,620	2,432,038	Commercial
	Total (Category-B)	27,013	43,098,036	

Audit was of the view that the management failed to recover the long outstanding TV license fee from chronic defaulters which resulted in non recovery of Govt. dues valuing Rs 2,345.92 million.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that recovery of Rs 385.56 million has been made out of total recoverable amount of Rs 2,986.01 million and verified by audit. The DAC directed that recovery for balance amount be made and reduce the para to Rs. 1,960.36 million.

Audit recommends compliance of the DAC directive.

10.1.4.15 Loss of income due to non-reduction of service fee on collection of TV license fee - Rs 101.84 million

According to Ministry of Water & Power Notification No.15(134)/2016-DISCO-1 dated June 07, 2016, the service fee collected by Electric Distribution Companies on the collection of TV license fee through electricity bills reduced to Rs 1 from Rs 5 per paid bill w.e.f April 04, 2016.

During the audit of PTVC for the years 2016-18, it was observed that the management executed agreements with PEPCO and KESC for collection of TV license fee through monthly electricity bills. As per agreements Rs 5 was to be deducted from each paid bills as service fee. According to above notification the service fee was subsequently reduced to Rs 1 w.e.f April 01, 2016. However, KESC was not considered for inclusion in the said decision resulting into loss of income due to excess charging of service fee as worked out below:

Description	
Domestic & Commercial Consumers during 2017-18	2121647 Nos.
Total service charges by KESC @ Rs 5 per bill per month	Rs. 10,608,235
Service fee required to be charged @ Rs 1 per bill	Rs. 2,121,647
Difference per month	Rs. 8,486,588
Total loss for the year	Rs. 10,839,056

Audit was of the view that the management was required to take up the matter with the Govt. but steps were not taken in this regard. Non inclusion of KESC in the said notification resulted into income loss to PTVC.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the Minister for Information has taken up the matter with Minister for Power. The DAC directed to continue efforts for reduction of service fee from KESC.

Audit recommends compliance of the DAC directive.

10.1.4.16 Shortage of store items - Rs 11.97 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of PTVC for the years 2016-18, it was observed that physical verification of stores of PTVC (HQs) and PTV Centre Lahore was carried out on April 30, 2017 and again on April 30, 2018 and shortage valuing Rs 11.97 million was detected. No action against the defaulters for shortage of stores was initiated even after lapse of a considerable period.

Audit was of the view that the management was required to investigate the matter and take action against the persons at fault but no action was taken. Non-initiation of action against the defaulters indicated slackness on the part of management.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that missing inventory item has been traced out. The DAC directed to get the short items verified from Audit.

Audit recommends compliance of the DAC directive.

10.1.4.17 Overpayment due to agreements without sales tax - Rs 23.50 million

According to instructions issued by PTVC HQ vide circular No.DCF(Tax)/clarifications/81 dated December 16, 2015, all agreements (local or international) must be made on total amount/gross amount basis instead of agreeing the term on net of tax basis. This is due to the fact that under the provisions of the Ordinance the tax born by PTVC on behalf of other party may not be claimed as admissible deduction.

During the audit of PTVC for the years 2016-18, it was observed that the management procured nine programs/dramas from private production houses by agreeing the term on net of tax i.e. exclusive of sales tax of the total cost against above instructions resulting into over payment of Rs 23.50 million. As per Note of PTVC Tax Manager dated May 11, 2017, net of tax agreements were strictly prohibited as per instructions refereed above and advised that the cost of the programe be considered inclusive of GST. The instructions were not adhere to and the agreements with the production houses were made excluding GST and thus excess payment was made to the production houses and corporation was put to loss of Rs 23.50 million.

Audit was of the view that cost of programme should also be included GST which was not done resulting into over payment of Rs 23.50 million which was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the sales tax refund has been claimed from CBR. The DAC directed to get the sales tax refund verified from Audit.

Audit recommends compliance of the DAC directive.

10.1.4.18 Loss due to launching non-viable programme” celebrity lounge” without approval of competent authority - Rs 5.50 million

According to Rule 23 of GFR, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

During the audit of PTVC for the years 2016-18, it was observed that PTVC Centre, Karachi launched a programme titled “celebrity lounge” on PTV network during quarter October-December 2017 & January-March 2018. The programme was launched without the approval of MD. The rating of the programme remained at 01 which was very low. The cost per episode stood at Rs 466,763 during quarter October-December 2017 and at Rs 454,687 during the quarter January-March 2018. The revenue per episode remained at Rs 249,019 at average which was far less than per episode cost and thus sustained loss of Rs 5.50 million as worked out below:

Period	Cost 13 Episode (Rs)	Income (Rs)	Loss (Rs)
Oct-Dec 2017	6,067,919	4,836,627	1,231,292
Jan-Mar 2018	5,910,931	1,637,873	4,273,058
	11,978,850	6,474,500	5,504,350

The programme was continued despite low rating and stopped in June, 2018.

Audit was of the view that the programme was aired on PTV network which was not commercially viable and the same was launched without the approval of the Managing Director authority which caused loss of Rs 5.50 million to the corporation.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the issue is under inquiry. The DAC directed to complete the inquiry and share with audit.

Audit recommends compliance of the DAC directive.

10.1.4.19 Fake claim of POL for generator at RBS Turbat - Rs 11.00 million

According to Rule-23 of GFR Vol-1, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

During the audit of PTVC for the years 2016-18 it was observed that Mr. Khurshid Anwar, Senior Engineer Incharge remained posted at RBS Turbat w.e.f March 02, 2000 to December 20, 2013 and submitted POL bills of generator to PTVC HQ for payment. The electricity supplied by the Islamic Republic of Iran in costal areas of Baluchistan including Turbat in 2005, there was no load shedding as reported by Quetta Electric Supply Company vide letter dated March 25, 2014. The matter for claiming POL bills of generator despite the fact that there was no load shedding at Turbat was proved by an initial inquiry committee constituted by the management. As per preliminary inquiry report there was no load shedding at Turbat but generator worked for more than 200 hours per month and POL bills of 2300 liters per month were constantly claimed. After the transfer of Mr. Khurshid Anwar on December 20, 2013 Mr. Zahir Hussain, Engineer was posted as Incharge RBS Turbat. He also continued this practice for sending bills of POL of generator for payment. However bills submitted by him were not paid and after inquiry his services were terminated w.e.f January 02, 2018. This resulted into payment of fake POL bills of the generator of RBS Turbat valuing Rs 11.00 million.

Audit was of the view that due to weak internal controls of the company Mr. Khurshid Anwar succeeded to claim POL bills without any load shedding which was loss to the corporation.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the accused has been terminated from the services of

PTVC. Audit contented that there was no mention about the fake claim of POL bills in the termination orders and suggested to work out the amount of fake bills of POL for effecting recovery. The DAC directed to work out and recover the fake claims of POL bills from the accused.

Audit recommends compliance of the DAC directive.

10.1.4.20 Non-adjustment of salary advance - Rs 6.77 million

According to PTV Head Quarters, Islamabad Office Order No. HPP/2014/186 dated November 11, 2004 & Office Order No. HP/2014/139 dated January 06, 2006 the advance against salary was to be adjusted from the salary in three equal installments before the closing of the financial year 2004-2005 & 2005-06.

During the audit of PTVC, Lahore for the years 2016-18, it was observed that an amount of Rs. 6.765 million was outstanding against 573 employees on account of advance against salary. The advances against salary on the eve of Eid-ul-Azha 2005, Eid-ul-Fitr 2006 and Eid-ul-Fitr 2010 were given to these employees which were to be adjusted from salary in three equal installments before the closing of the financial years 2004-2005 & 2005-2006. Advance against salary on Eid-ul-Fitr 2010 given in anticipation of ex-gratia which was not approved by the BoD was also required to be adjusted from the salary. However, the advances were not adjusted and deferred for adjustment from commutation of the employees at the time of retirement. An amount of Rs 6.77 million was outstanding since 2004-05 and 2010.

Audit was of the view that the advances were required to be recovered from the salary of the employees within three equal installments but same were deferred till retirement of the employees which was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16,

2019, directed that the recovery of the advances be made from the salary of the employees concerned.

Audit recommends compliance of the DAC directive.

10.1.4.21 Non-transparent hiring of equipment & hall for Ramzan Transmission - Rs 11.18 million

According to Rule 12 (2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the audit of PTVC Centre, Lahore for the years 2016-18, it was observed that the management hired equipments from different parties for conducting Ramzan Iftaar Transmission 2016 titled "Ramzan Allah Ka Ehsaan" without observing PPRA Rules 2004 as detailed below:

S.No.	Suppliers Name	Description	Amount (Rs.)
1.	M/s Royal Caterers, Lahore	Set Material & Props	3,000,000
2.	M/s Royal Caterers, Lahore	Hiring of Hall	3,750,000
3.	M/s Ad Mills, Lahore	Hiring of Lights	1,888,410
4.	M/s Idrees Sound, Lahore	Hiring of Sound	900,000
5.	-	Hiring of JIbs	665,000
6.	M/s Al-Jannat, Lahore	Hiring of SMDs Screen	450,000
7.	-	Hiring of Chillers	525,000
Total			11,178,400

While approving the Programme Budget Estimates M.D waived off the purchase procedure.

Audit was of the view that hiring of equipments & hall without advertisement as against the PPRs, was held irregular. Moreover, M.D had no authority to waive off purchase procedure under PPRs.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019, recommended that the case may be placed before the BoD.

Audit recommends compliance of the DAC directive.

10.1.4.22 Loss of income due to non-collection of PTV license fee from Bulk Meter Consumers – Rs 574.65 million

According to Television Apparatus (Possession & Licensing) Rules, the Govt. of Pakistan levied Rs 35 per month TV license fee for domestic consumer and Rs 60 for Commercial TV set.

During the audit of PTVC for the years 2016-18, it was observed that 3637 Bulk Consumers (Private/Govt. Institutes, Housing Societies) were registered with PEPCO as per Asstt. Controller Revenue (CS) note No.PTV(HQs) note No.PTVC-RD-403/Audit/77 dated August 08, 2018. However, PTVC was collecting PTV license fee from only 267 Bulk Consumers. Thus, the corporation was deprived of license fee income of Rs 574.65 million as worked out below:

Description	Total Nos. & Amount (Rs)
Total Consumers of 267 Bulk Meters	108,356 Nos.
Average consumers per bulk meter of 267 bulk meters (108,356/267)	406 Nos.
Average consumers per Bulk meter of 3,370 Bulk Meters	1,368,220 Nos.
Rate of fee per consumer per month	Rs. 35
Loss of income per month (1,368,220 x 35)	Rs. 47,887,700
Total loss for one year (47,887,700 x 12)	Rs. 574,652,400

The management did not collect actual date of bulk meters/consumers from PEPCO for recovery of license fee from the remaining bulk meters owners which showed slackness on the part of the management.

Audit was of the view that the actual data of bulk consumers was not collected and the corporation was deprived of license fee due to non-recovery of license fee from the total bulk meters consumers registered with PEPCO.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the legal notice to the defaulter bulk consumers are in process of issuance. The DAC directed to make efforts for recovery of PTV License Fee from the bulk meter consumers.

Audit recommends compliance of the DAC directive.

10.1.4.23 Unjustified hiring of various equipments - Rs 30.13 million

According to rule 12 (2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the audit of PTVC, Islamabad for the years 2016-18, it was observed that PTV Sports, PTV Home, PTV Karachi and PTV Lahore incurred an expenditure of Rs. 30.13 million on acquiring of equipments like SMD Screen, Jibs, LED lights, Props and Set Materials during 2016-17 & 2017-18 for recording programmes on rental basis. The equipments were hired from the parties without going through the tendering process as per PPR hence held irregular. Furthermore, the equipments hired were of fixed asset nature and usable for every programme for longer period hence, the decision for hiring instead of purchase was not justified at all.

Audit was of the view that by avoiding tender process undue favor was extended to the parties and the corporation was deprived of the benefit of competitive rates. The hiring of equipments amounting to Rs. 30.13 million was made in contravention of PPRs and thus held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019, recommended that the case may be placed before the BoD.

Audit recommends compliance of the DAC directive.

10.1.4.24 Irregular deduction of Punjab Sales Tax Rs 54.10 million

According to PTVC, Head Quarters letter No. Nil dated June 19, 2017, PTVC entered into contract with PEPCO for collection of TV license fee, PEPCO has in term asked DISCO's for said collection. Hence sales tax is required to be charged by DISCO's to PEPCO instead of PTVCL.

During audit of PTVC, HQ, Islamabad for the years 2016-18 it was observed that Faisalabad Electric Supply Company (FESCO) and Multan Electric Supply Company (MEPCO) was deducting Punjab Sales Tax Rs 41.68 million and Rs 12.43 million respectively from TV license fee collected by them since July 2014 as against the above criteria. In this regard an amount of Rs 54.10 million has been deducted upto June 2018.

It is pointed out that no other DISCO's was deducting sales tax from collection of TV license fee except the above two DISCO's. The deduction of sales tax was being shown as receivables in the accounts. Management has not effectively taken up the matter with concerned authorities for resolving the issue..

Audit was of the view that the DISCO's are rendering services to PEPCO as PTVC has not entered into any contract with DISCO's, hence deduction of sales tax from the collection of TV license fee is held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019, directed that the efforts may be continued to resolve the matter.

Audit recommends compliance of the DAC directive.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:23:43 PM

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:23:43 PM

10.2 Pakistan Broadcasting Corporation Limited

10.2.1 Introduction

Pakistan Broadcasting Corporation was established under the Pakistan Broadcasting Corporation Act 1973, Pakistan Broadcasting Corporation (PBC) is a Federal Government Corporation being managed through Ministry of Information and National Heritage.

10.2.2 Comments on audited accounts

10.2.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2013-14 to 2017-18 till December 31, 2018.

10.2.2.2 Audit recommends that the annual audited accounts of the past years be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. (refer Annex-2)

10.2.3 Compliance of PAC directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1990-91	06	04	02	354,359	67
1991-92	11	10	01	300	91
1992-93	07	05	02	205,209	71
1993-94	10	08	02	182,183	80
1994-95	05	04	01	219	80
1996-97	06	04	02	180,182	67
1997-98	09	08	01	115	89
1998-99	28	26	02	1.1, 8 (SAR-56)	93
1999-00	06	02	04	159,160,162, 163	33
2000-01	04	03	01	127,	75
2003-04	17	14	03	124.4,125,130	82

2006-07	03	01	02	120.1,120.2	33
2007-08	19	13	06	94.3,94.4,99,100,102,105	68
2008-09	15	08	07	132,133,134,135,131.5,131.6,136	53
2009-10	02	0	02	148,149	-
2010-11	12	09	03	12.2.1,12.2.2,12.2.2.4	75
2016-17	09	0	09	8.1.4.3, (8.1.1 & 8.1.2, 8.1.3, 8.1.4.1, 8.1.4.2, 8.1.4.4, 8.1.4.5, 8.1.4.6, 8.1.4.7)	-
Total	169	119	50		70

Overall compliance of the PAC directives was not satisfactory and needs immediate attention of the PAO.

10.2.4 Audit paras

10.2.4.1 Non transparent appointment of Resource Persons on contract basis – Rs 31.87 million

According to Establishment Division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/ Promotion Committee/Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management appointed 114 Resource Persons on contract basis without press advertisement and written tests. The resource persons were appointed on simple application by Director General PBC without Selection Board Committees. This resulted into irregular appointment and payment of pay and allowances worth Rs 31.14 million upto June 30, 2018.

Audit was of the view that the appointments were made at the cost of public exchequer depriving the deserving persons.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed the management that the case may be placed before the BOD for approval/ regularization.

Audit recommends compliance of the DAC directive.

10.2.4.2 Irregular award of contract for marketing rights to disqualified firm, non recovery of outstanding dues - Rs 5.92 million

According to Rule-36 (b) (viii) of PPRs 2004, after the evaluation and approval of the technical proposal, the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders. Moreover, according to para-11 of the contract signed between Pakistan Broadcasting Corporation (PBC) and M/s Sacom Media Communication Consultant Islamabad, “recovery cheques against the invoices shall be collected by firm in the name of PBC and deposited in PBC Account No. DC-655/77 HBL Foreign Office Branch Islamabad under intimation to the Central Sales Office Islamabad.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was noticed that the management invited Expression of Interest (EOI) for the award of marketing and sales rights of PBC FM channels across the country on December 15, 2015. In response nine (9) firms submitted their technical proposals. The technical evaluation committee recommended /qualified technical proposal of four (4) firms on January 08, 2016 and rejected /disqualified five (5) firms including M/s Sacom Media Communication Consultant Islamabad. The management awarded contract /agreement on April 11, 2017 to M/s Sacom Media Communication Consultant, Islamabad for marketing and sales rights of PBC FM channels valid up to December 31, 2017 despite disallowed/ disqualified by the technical evaluation committee.

Furthermore, the following irregularities were also observed in this case:-

- a. The firm secured business of Rs.5.92 million of PBC till date, however, the amount received was directly credited to their own account instead of PBC in violation of caluse-11 &12 of the contract and paid only a sum of Rs.1.61 million.
- b. The contract of the firm was expired in December 2017 however the firm continued its business till date without any extension in the contract/agreement.

Keeping in view the above facts the award of sales/marketing rights to technically disqualified firm and execution of the contract in violation of the contract/agreement was considered irregular.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed that the recovery already made may be verified and complete recovery may be made within 120 days.

Audit recommends compliance of the DAC directive.

10.2.4.3 Irregular appointment of employees –Rs 29.25 million

According to Establishment Division S.R 0248(i)/88 dated April 07, 1988, a candidate must possess the educational qualifications and experience and must be within the age limit as mentioned against the post commenced below:

- i. LDC Matric with typing speed 30 w.p.m
- ii. Stenotype Metric, with 80/40 w.p.m in short hand and typing respectively.
- iii. Stenographer intermediate with 100/50 w.p.m speed in short hand and typing respectively.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management appointed 201 LDC, Steno typist and Stenographer during 2007-08 in PBC Scale No. 2, 3 and 4 respectively,

however, the relevant criteria was not followed in letter & spirit as no practical test was carried out in order to judge the ability of typing speed, which was the basic condition of the direct appointment, only written test of the general knowledge was conducted which was not requirement in the case of the appointment against the above referred posts.

Audit was of the view that due to violation of the above referred criteria, appointment against these posts cannot be considered on merit. Therefore, expenditure of Rs 29.25 million incurred on the pay & allowances was held irregular.

The matter was repeatedly brought to the notice of the management and Ministry through Audit Inspection Reports for the year 2007-08 to 2015-16 but neither any action was taken against above irregular appointment by the management nor furnished plausible reply to audit.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC in its meeting held on January 30, 2019, directed the management that the case may be referred to Establishment Division for regularization.

Audit recommends compliance of the DAC directive.

10.2.4.4 Irregular appointment of HRM Officer – Rs 5.66 million

According to the Establishment Division vide their OM No. 4/1/93-R-1 dated February 23, 2009, duly communicated to PBC through controlling Ministry vide U.O dated March 03, 2009, NOC was required to be obtained from the Establishment Division regarding availability of staff in the surplus pool before recruitment in vacant posts.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management appointed Ms Faryal Malik as Human Resources Management Officer on August 24, 2009 at monthly pay of

Rs 50,526. The management published advertisement in the daily Jang on August 17, 2009 for walk in interview at PBC head office on August 21, 2009. The lady was appointed without any written test (NTS or other) merely on the assessment of a tailor made committee. Since inception of PBC in 1948 and their subsequent conversion into corporation in 1972 the organization did not have their approved Appointment, Promotion and Transfer Rules as required under PBC Act.

The management accommodated the officer through re-designation of the post of Administrative Officer as HRM Officer by D.G PBC on August 24, 2009 i.e. on the date of issuance of appointment letter. The appointment of the officer was also seriously viewed by the PBC BoD in its 366 meeting held on March 04, 2010 in which it was observed that in draft rules there was no post of HRM Officer. A sub-committee of the Board Members was constituted in March 2010 to investigate the matter and report to the board. Neither the inquiry was finalized nor any action was taken in line with the instructions contained in the above letter.

Audit was of the view that the appointment/selection of the officer as well as subsequent increase in the pay was held irregular. The employee was paid an amount of Rs 5.66 million (approx. @Rs 50,526 pm X 112 months) on account of pay & allowances since the date of appointment.

The matter was brought to the notice of PBC/Ministry through Audit Inspection Reports for the year 2014-15 and 2015-16. The DAC in its meeting held on January 30, 2019, deferred the para as the matter is subjudice.

Audit recommends explain reasons for violation of Establishment Division's instructions. Fix responsibility for the irregular appointment and take action against the responsible. Get approved Appointment, Promotion and Transfer Rules as required under PBC Act.

10.2.4.5 Irregular payment of shift allowance to news staff – Rs 1.37 million

According to para-12 (1) of Rules of Business 1973 Government of Pakistan, “No Division shall, without previous consultation with the Finance Division, authorize the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division, which will affect directly or indirectly the finances of the Federation.”

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that contrary to the above instructions of the Federal Government, the management approved shift allowance to the News staff on April 10, 2018. Furthermore, it was observed that PBC was receiving grant in aid from the Federal Government on annual basis and approved annual budget for the year 2017-18 reflected deficit budget of Rs. 1.57 billion.

Audit was of the view that the available resources of PBC were insufficient to meet the approved expenditure for the year 2017-18. The management approved additional allowance to the employees of the organization without concurrence of the Finance Division. Thus expenditure of Rs. 1.37 million incurred from April 2018 to August 2018 on the said allowance was considered irregular.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed the management that the case may be placed before the BOD for approval/ regularization.

Audit recommends compliance of the DAC directive.

10.2.4.6 Ill-planned expenditure on establishment of Pakistan Institute Of Broadcasting & Information Technology - Rs 56.25 million

According para-3.4 of Project Management Guidelines Planning Commission Government of Pakistan “at the project preparation stage, various indicators such as input, baseline data, outputs and outcome, are determined over the life of project. In addition, viability of the project in terms of financial and economic indicators is also determined, which focus on financial and economic viability of the project. Another important aspect which needs to be considered is the sustainability aspect after completion; how it would yield the required output/outcome.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18, it was observed that development project “Establishment of Pakistan Institute of Broadcasting & Information Technology at Islamabad” was approved by Central Development Working Party (CDWP) on July 20, 2005 at a cost of Rs.62.94 million with completion period of 18 months. It was observed that expenditure of Rs.56.25 million was incurred on civil works through Pak PWD against the allocated budget of Rs.34.38 million. In 2010 revised PC-I costing Rs.134.44 million was submitted to Planning & Development Division for approval of CDWP in the Planning & Development Division, Ministry of Information & Broadcasting constitute the committee on February 02, 2012 by consisting representative of Pak PWD, Ministry of Housing of Works, Ministry of Planning & Development for the best possible solution of the project but report of the committee was still awaited even after lapse of six years. Thus, the expenditure incurred Rs.56.25 million on construction of building was considered wasteful because the objective set in PC-I of the project could not be achieved even after lapse of 13 years.

Audit was of the view that PC-I of the project was prepared without proper planning and necessity of the requirement.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed to hold an inquiry and share report with Audit within 60 days.

Audit recommends compliance of the DAC directive.

10.2.4.7 Loss due to non recovery of rent of shops from M/s Khattak Sons since 2005 – Rs 9.67 million

According to lease agreement between Pakistan Broadcasting Foundation (PBF) and M/s Khattak Sons (Pvt) Ltd on December 31, 2004, it was decided that PBF will provide 5 canal land situated at Radio Colony, Rawat to M/s Khattak Sons for construction of shops from their own funds. M/s Khattak Sons was bound to pay monthly rent of Rs 50,000 to PBF.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that M/s khattak Sons constructed shops at the land of PBF but Rs 9.67 million was not paid to PBC/PBF on account of rent of shops since 2005.

Audit was of the view that management did not take strenuous efforts to recover the rent from concerned party for the last 13 years hence PBC suffered loss to the extent of Rs 9.67 million.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, deferred the para as the matter is subjudice.

Audit recommends investigate reason for non recovery of rent from party in violation of agreement and fix responsibility. Recover the rent amount from concerned party or from the persons held responsible.

10.2.4.8 Non-receipt of outstanding amount from different private advertising agencies/clients - Rs 10.92 million

According to Clause-06 of terms and condition of Transmission Contract, 90 days credit facility to Government Clients dependable Advertising Agencies would be provided.

During the audit of Pakistan Broadcasting Corporation (ZSO, Karachi, Islamabad& Lahore) for the years 2016-18 it was observed that the management sold out air time to the private clients/advertising agencies on credit basis in violation of above said rule as this credit based facility was admissible only to Government client dependable advertising agencies. The receivable from these clients was Rs 10.92 million lying outstanding since 2012-13.

Audit was of the view that the management was required to sell air time to private clients on cash basis because credit facility was admissible only to Government clients secured advertising agencies.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed to hold inquiry report be shared with audit with 45 days.

Audit recommends compliance of the DAC directive.

10.2.4.9 Non-adjustment/recovery of TA/DA & others advances from employees / ex-employees - Rs 5.72 million

According to Para 273 of PBC Accounting Manual, all the advances drawn by employees for TA/DA, whether for inland or tour abroad should be adjusted immediately after performance of the tour.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management did not recovered advances

and other inadmissible payments from the employees/ex-employees as considerable time of more than ten (10) years was lapsed.

Audit was of the view that the management was required to make serious efforts for recovery from existing or ex-employees.

The matter was repeatedly brought to the notice of the management and Ministry through Audit Inspection Reports for the year 2007-08 to 2015-16 but neither any action was taken against above irregular appointment by the management nor furnished plausible reply to audit.

The DAC in its meeting held on January 30, 2019, directed that recovery may be verified and inquiry report be shared with Audit.

Audit recommends compliance of the DAC directive.

10.2.4.10 Loss due to irregular award of land on lease to M/s SNK Enterprises - Rs. 1.66 million

According to Ministry of Housing and Works Rules for entering into an agreement regarding renting out of buildings, the rent of building should be enhanced @ 25% after every three years.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management leased out plot measuring four (4) kanal at HPT Peshawar to M/s SNK Enterprises Peshawar for thirty (30) years on monthly rent of Rs. 154,000 vide lease agreement dated June 13, 2008. Contrary to the above referred instructions the increase in annual rent was agreed @ 15% after three years as per para-1(a)(i) of the lease agreement. Thus, the organization was put to loss of Rs.1.66 million from July 1, 2011 to June 30, 2018.

Audit was of the view that slackness on the part of management resulted in undue favour to the tenant and loss of Rs 1.66 million to the corporation.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC meeting held on January 30, 2019, directed that efforts for recovery may be continued.

Audit recommends compliance of the DAC directive.

10.2.4.11 Loss due to non recovery of sales income from marketing company – Rs. 5.00 million

According para-11 of the contract agreement signed between Pakistan Broadcasting Corporation (PBC) and M/s Avenue International Pvt. Ltd, “recovery cheques against the invoices shall be collected by firm in the name of PBC and deposited in PBC Account No. DC-655/77 HBL Foreign Office Branch Islamabad under intimation to the Central Sales Office Islamabad.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was noticed that the management entered into a contract/ agreement with M/s Avenue International Pvt. Ltd for award of marketing and sales rights of PBC channels FM-101, FM-93, FM-94 and Medium Waver Network stations on non exclusive basis on public private partnership basis in the ratio of (70: 30) on April 07, 2017 valid up to December, 31 2017. The firm secured business /commercials worth Rs. 5.002 million for PBC during the period from April to August 2017. However, it was observed that the management failed to collect share of income according to agreement. The cheques of business /commercial secured were collected and deposited by the firm in its own account instead of PBC account mentioned in the contract/ agreement. The firm went into default and the contract/ agreement was expired in December 2017 and not a single penny was received from the firm till date.

Audit was of the view that the management suffered loss of sales income Rs.5.00 million due to irregular execution of sales contract.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed that case may be filed for recovery.

Audit recommends compliance of the DAC directive.

10.2.4.12 Unjustified retention of staff on monthly consolidated contract – Rs 10.17 million

According to Establishment Division OM dated May 06, 2000 (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/Promotion Committee/Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management engaged 107 employees of various cadres on monthly contract basis without any approved qualification and posted at various units of PBC throughout Pakistan. The pay of the employees having same qualification was different from each other. Furthermore, the retention of the monthly contract employees was not justified in the context of decreased operational activities of the corporation. Hence, Rs 10.17 million per annum (spent on pay of 107 employees) was considered irregular and unjustified.

Audit was of the view that the management was retaining unnecessary employees only to oblige them at the cost of other deserving persons.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed that the case may be placed before the BOD for approval/ regularization.

Audit recommends compliance of the DAC directive.

10.3 National Book Foundation

10.3.1 Introduction

National Book Foundation (NBF) is an autonomous body established under an Act of Parliament, 1972. National Book Council of Pakistan (NBCP) was merged with National Book Foundation on July 01, 1994. Accordingly, all the assets and liabilities of former NBCP on that date were incorporated in the books of NBF. National Book Foundation is engaged in the promotion of literacy by developing, printing and trading of books and other activities related thereto.

10.3.2 Comments on Audited Accounts

10.3.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

10.3.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. (refer Annex-2)

10.3.2.3 Working results of the Foundation for the year 2016-17 as compared with previous years are as under:-

(Rs in million)

	2016-17	% Inc/ (Dec)	2015-16	% Inc/ (Dec)	2014-15
Sales	331.943	(2.05)	325.265	9.54	296.95
Cost of sales	250.445	1.90	245.771	2.51	239.748
Gross profit	81.498	2.52	79.494	38.97	57.201
Admn & general expenses	208.864	(1.42)	211.872	721.85	25.78
Financial charges	0.170	(47.69)	0.325	71.05	0.19
Operating profit/ (loss)	127.537	(3.89)	132.703	324.79	31.24
Other income	32.262	39.99	23.046	39.33	16.54
Profit/ (loss) for the year	74.689	92.78	38.744	(18.91)	47.78

Provision for taxation	16.752	251.93	4.760	(63.94)	13.2
Net profit (loss) for the year after taxation	57.936	70.48	33.984	(1.70)	34.57

(Source: Annual audited accounts)

As per Note 18, PLS & Current Account of Foundation increased to Rs 224.62 million in 2016-17 from Rs 185.63 million in 2015-16 (increase by 21%). Foundation was required to determine its working capital or day to day expenses and made investment of surplus funds in terms of TDRs rather than PLS Accounts to earn maximum interest after getting better rates.

10.3.2.4 As per Note 14.1 provision for slow moving stocks of foundation of Rs 646,941 was shown in annual accounts for the years 2015-16 and 2016-17 respectively. Efforts should be made to sell the stock.

10.3.2.5 The work in progress valuing Rs 18.56 million remained stagnant hence the project was not completed. Early completion of the project was stressed upon the management.

10.3.2.6 As per Note 7, trade other payables, the amount for "Others" increased by 157% i.e. Rs 7.90 million in 2016-17 from Rs 3.07 million in 2015-16. Detail of increase in other payable may be explained .

10.3.2.7 As per Note 17, receivable from employees increased by 1052% i.e. from Rs 0.75 million in 2015-16 to Rs 8.64 million in 2016-17. Detail of irregularities /increase in receivables from employees alongwith latest status of inquiry may be explained.

10.3.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2003-04	04	0	04	34&34.1,34.2,34.3,34.4	-
2009-10	02	01	01	61	50
Total	06	01	05		17

Overall compliance of PAC directives was poor which needs immediate attention of PAO.

10.3.4 Audit Paras

10.3.4.1 Irregular appointment beyond the age of superannuation - Rs. 3.44 million

According to the Establishment Division vide O.M. No. 4/2/90-R-1-1 dated December 05, 1990 and subsequent instructions issued vide letters dated May 26, 1999 and December 04, 2007 instructed that the re-employment after the age of superannuation in the government, autonomous bodies, semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During the audit of National Book Foundation (NBF) for the years 2012-17 it was observed that Mr. Shaukat Ali working as Data Control Operator (DCO) NBF was retired on superannuation w.e.f. July 04, 2014. His services were hired as Assignment / Contractor for a period of two months w.e.f. July 07, 2014 at a total remuneration of Rs.80,000. The contract was executed on July 07, 2014 for preparation of Draft Service Rules and Revised Act of NBF. His services were continued as Stenographer with the approval of Managing Director NBF vide office order dated September 17, 2014 w.e.f. September 09, 2014 (till further orders) at a monthly remuneration of Rs.40,000 since then he remained in service of NBF. An amount of Rs.1.840 million was paid for the period July 07, 2014 to May 31, 2018. Similarly Mr. Asghar Abid a PTV employee retired on attaining the age of superannuation was engaged on contract as Public Relation Officer for six months w.e.f. February 07, 2014 at a monthly remuneration of Rs.30,000. His contract period was extended time & again and an amount of Rs.1.60 million was paid to the concerned. The appointment as well as payment of pay & allowances valuing Rs 3.44 million was irregular as approval of the competent authority was not obtained.

The DAC in its meeting held on December 18, 2018 directed the management to take effective steps for the constitution of Board and the matter

may be placed before BOG for regularization being the competent authority under NBF's Act.

Audit recommends the compliance of DAC directives.

10.3.4.2 Irregular appointment of Advisor - Rs. 2.40 million

According to Clause-3 of Establishment Division M.S Wing's U.O. No.11-3/2001-MSWIII dated January 25, 2002, the client organization was required to ascertain as to whether or not the required expertise was available within the organization / government. In case the expertise was available in house, reasons for not undertaking the assignments internally may be spelled out and detailed justification including the following be given for hiring of consultants.

During the audit of National Book Foundation (NBF) for the years 2012-17 it was observed that the management appointed Prof. Dr. Attaullah Attash as "Advisor Text Books" vide office order dated May 22, 2014 on contract basis for six months at monthly lump sum assignment fee Rs.50,000. The contract period was continuously extended after expiry. Last extension was granted for 89 days w.e.f February 16, 2018 vide letter dated February 19, 2018 and an amount of Rs. 2.40 million was paid since November 22, 2014 to May 15, 2018. The appointment was irregular because the prescribed procedure was not observed and post was not published in the press. The Advisor was appointed by the Managing Director NBF on the grounds that there was no Text Books Development Expert in NBF for checking the errors and discussion with authors and the applicant being an author of many books and was a Text Book Development Specialist. As proper procedure for appointment of Advisor was not followed therefore the appointment as well as payment of Rs. 2.400 million was held irregular.

Audit was of the view that the management was required to appoint the Advisor after following the prescribed procedure but no procedure was adopted which resulted into irregular engagement of Advisor.

The DAC in its meeting held on December 18, 2018 directed the management to take effective steps for the constitution of Board and the matter may be placed before BOG for regularization being the competent authority under NBF's Act.

Audit recommends the compliance of DAC directives

10.3.4.3 Inadmissible payment due to unauthorized promotion of employees - Rs. 1.23 million

According to Rule-7 (Sub Rule-7.8.1) of NBF Service Rules, an employee of NBF would be eligible for promotion on a higher vacant post provided he possessed the requisite educational, technical and other professional qualification and considered fit in all respects for promotion subject to fulfillment of such other conditions as laid down by the NBF from time to time.

During the audit of National Book Foundation (NBF) for the years 2012-17 it was observed that certain employees were promoted w.e.f. January 07, 2011 to BS-16 vide office order dated January 07, 2011. The employees were again promoted as Assistant Director BS-17 w.e.f. May 30, 2012 after a period of 17 months without observing the prescribed rules / laid down criteria. The promotion of employees was unauthorized because they neither possessed prescribed qualifications nor the required length of five (5) years service was fulfilled. An amount of Rs.1.23 million being the difference of pay in BS-16 and 17 was paid. As the employees were not eligible for promotion therefore the difference of pay and allowances Rs.1.23 million drawn by the employees was inadmissible.