Chapter-7

Ministry of Industries and Production

Overview

Ministry of Industries & Production (MOI&P)'s role is that of a facilitator in creating an enabling environment for industrial growth in the country.

Aims & Objectives

The objectives of MOI&P are to achieve efficient, sustainable and inclusive Industrial Development and to play the role of facilitator in industrial development and entrepreneurship through policy intervention, setting up Industrial Parks and Export Processing Zones for investors, skill development of human resource for industrial sector and socio-economic development of country with particular focus on SME development and promotion of traditional crafts of Pakistan.

Governing Laws and Policies

- Rule of Business 1973
- SME Policy, 2007
- Auto Development Policy 2016-21
- Fertilizer Policy, 2001
- Auto Industry Development Programme (AIDP)

(Rs in million)

Sr No.	Description	Total	Audited	Expenditure audited FY 2018-19	Revenue /Receipts audited FY 2018-19
1	Formations	23	20	68,861.206	64,711.134
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Classified Summary of Audit Observations

Audit observations amounting to Rs 99,133.429 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,274.424 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs in million)
1	Non Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	40.460
3	Irregularities	
A	HR/Employees related irregularities	4,976.212
B	Procurement related irregularities	11,394.837
C	Management of accounts with Commercial Banks	8,448.200
4	Value for money and services delivery issues	910.230
5	Others	73,403.950

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.1 Export Processing Zones Authority

7.1.1 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 (EPZs) in Pakistan in order to invite / help foreign investors.

7.1.2 Comments on Audited Accounts

7.1.2.1 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 years 2010-11 to 2018-19 despite a number of reminders.

7.1.2.2 Audit requires that the annual audited accounts of the years 2010-11 to 2018-19 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(refer Annex-2).***

7.1.3 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
2014-15	22	1	21	9.1.4.2, 9.1.4.8, 9.1.4.11, 9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.3, 9.1.4.3, 9.1.4.4, 9.1.4.5, 9.1.4.6, 9.1.4.7, 9.1.4.9, 9.1.4.10, 9.1.4.12, 9.1.4.13, 9.1.4.14	5
2015-16	3	1	2	8.1.2.1, 8.1.3	33
Total	**35**	**6**	**29**		**17%**

The overall compliance of PAC directives needs improvement.

7.1.4 Audit Paras

7.1.4.1 Irregular appointments in EPZA - Rs 139.860 million

Rule 10 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.

Rule 23 of GFR provides that, every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part.

During audit of Export Processing Zones Authority (EPZA) for the year 2018-19, it was observed that the management appointed 584 employees in different cadres involving payment of Rs 139.860 million in the year 2012-13 against violation of EPZA Service Rules and also failed to observe the government standing instructions regarding verification of educational documents and experience certificates. The record also showed that such illegal appointment status in respect of at least 92 persons out of 504 had also been confirmed by FIA and the clear-cut status in respect of the remaining also remained unascertained.

The matter was placed before the Board of Directors in its 120th Board meeting held on 06.06.2018. The Board directed that FIA order be implemented and legal action be taken by the EPZA management. However, the requisite action against the concerned was not taken till the close of audit.

The matter was reported to the management in August, 2019. The irregularity was discussed in DAC meeting held on December 19 and 20, 2019. The DAC directed the management to implement BoD's decision on the matter.

Audit recommends that those appointed illegally should be dismissed forthwith, amount of emoluments drawn by them be recovered and responsibility for illegal appointments be fixed on the recommending / appointing authorities to avoid recurrence of such malpractices in future.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:16 PM

7.1.4.2 Non-recovery of Annual Ground Rent (AGR) from various parties – US$ 327,422 equivalent to Rs 53.705 million

Export Processing Zones Authority (EPZA) rules stipulate that, "Annual Ground Rent of the allotted plots at the specified rates was required to be recovered in advance on every 10th of January and 10th of July every year."

During audit of Export Processing Zones Authority (EPZA) for the year 2018-19, it was observed that an amount of US$ 327,422 was lying outstanding against twenty one industrial units on account of Annual Ground Rent (AGR) since long **(Annex-24).**

The matter was reported to the management in August, 2019. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to get the recovered amount verified from audit and pursue remaining recoveries proactively.

Audit recommends implementation of DAC directives.

7.1.4.3 Loss due to un-accounted for electricity consumption - Rs 47.299 million

Rule 23 of GFR provides that, every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part.

As per existing arrangement between EPZA and K-Electric (KE) bills are paid by EPZA for total consumption and then the bills are raised to the investors on the basis of individual meter reading.

During audit of Export Processing Zones Authority (EPZA) for the year 2018-19, it was observed that the organization sustained a loss of Rs 47.299 million on account of un-accounted for electricity units as under:

(Rs in million)

S. No.	Description	Purchased Units	Avg. Rate per Unit	Total Units billed	Un-accounted for Units	Loss to EPZA (2.894*16.342)
1	Electricity Units	57.008 million	16.342	54.114 million	2.894 million	47.299

Muhammad Imran Shahid Asst Programer Monday, 24 February 2025, 3:31:16 PM

Audit was of the view that the EPZA management in connivance with the consumers did not do proper electricity billing as 2.894 million units of electricity already paid for by the organization to K-Electric remained unaccounted for. This also indicated poor financial management and weak internal controls existing within the organization.

The matter was reported to the management in August, 2019. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to provide justification in terms of unaccounted for electricity consumption and fix responsibility for the theft / leakage.

Audit recommends implementation of DAC directives.

7.1.4.4 Non-adjustment of advances against expenses - Rs 13.929 million

Rule 10 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.

Rule 23 of GFR provides that every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part.

Rule 28 of GFR states that no amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of the competent authority for their adjustment must be sought.

During audit of Export Processing Zones Authority (EPZA) for the year 2018-19, it was observed from the review of record that the management had in the past given advances against expenses to its employees for unspecified jobs, which remained unadjusted till June 30, 2019 as tabulated below:

(Amount in Rs)

S. No.	Year	Description	Opening Balance	Advance during the year	Advance Adjusted	Un-adjusted Advances
1	2018-19	Advances Against Expenses	12,800,563	3,120,943	1,991,532	13,929,974

Muhammad Imran Shahid Asst Programmer Monday, 24 February 2025, 3:31:6 PM

Audit was of the view that the management gave advances to its employees without need which were also not got adjusted. This indicated existence of poor financial management and weak internal controls within the organization.

The matter was reported to the management in September, 2019. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to provide justification of above advances to employees in light of rules and get the adjusted amounts verified from audit on priority.

Audit recommends implementation of DAC directives.

7.1.4.5 Non-recovery of electricity charges from defaulting parties – US $ 35, 248.19 equivalent to Rs 5.781 million

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

Under Export Processing Zones Authority (EPZA) rules, the utilities bills are to be recovered on due dates and in case of non-payment of two or three consecutive bills the utility services should be suspended in order to recover the outstanding balances and to avoid their heavy accumulation.

During audit of Export Processing Zones Authority (EPZA), for the year 2018-19 it was observed that an amount of US$ 35,248.19 equivalent to Rs 5.781 million was lying outstanding against various parties on account of electricity charges.

S. No.	Unit Name	Outstanding Amount US $	Outstanding Since
1	Pak British safety glass co.	2,750.78	FEB-17
2	Philip morris (Pakistan) Ltd. (Lakson Tobaco)	29,371.53	May-17
3	Rainbow Enterprises	1,708.29	Jan-15
4	Steel Vission (Pvt.) (ex. Raja Shakeel Traders)	9.86	May-19
5	Royal Impex (Pvt.) Ltd.	184.02	Apr-19
6	Royal Paper & Plastic Product (Pvt.) Ltd.	21.06	Mar-19
7	Saltex Pvt. Ltd	33.65	Jan-19
8	Sonraj International (Pvt.) Ltd.	51.12	Apr-19
9	Takeeba Industrial Corporation	1,034.83	Jun-15
10	Uzair Export (Pvt.) Ltd	83.05	Jan-19
Total		**35,248.19**	

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

Audit was of the view that the management failed to effect recovery of its dues in a timely manner. This indicated existence of poor financial management and weak internal controls within the organization.

The matter was reported to the management in August, 2019. The management in its reply dated November 21, 2019 stated that all the dues pertained to sick & closed units and that the notices for recovery have been served to them. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to get the recovered amount verified from audit and pursue remaining recoveries within 06 months time.

Audit recommends implementation of DAC directives.

7.1.4.6 Unjustified attachment of EPZA employees in Ministry - Rs 4.632 million

Rule 10 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.

Rule 12 of GFR provides that a Controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013 state 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 Zones Authority (EPZA) for the year 2018-19, it was observed that six (6) employees of EPZA were posted in the Ministry of Industries and Production on attachment basis. The employees continue to draw their pay, allowances and privileges from parent organization i.e. EPZA Karachi as per details tabulated below:

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

S. No.	Name & designation of employee	Date of Attachment	Period	Total salary paid till 30.06.2019 (Rs)
1	Nadia Hanif, manager, Islamabad	12.10.2017	One Year and 09 months (12.10.2017 to 30.06.2019.)	2,392,414
2	Mukhtar Ahmed Tarar, Dy. Manager	12.11.2018	07 months (12.11.2018 to 30.06.2019)	768,191
3	Badarudin Bijarani, Manager	21.03.2019	03 months (21.03.2019 to 30.06.2019)	578,573
4	Jawad Imtiaz, Dy. manager	21.03.2019	03 months (21.03.2019 to 30.06.2019)	419,263
5	Yasir Mehmood Bhatti, Supervisor	21.03.2019	03 months (21.03.2019 to 30.06.2019)	207,465
6	Wajid Iqbal, Supervisor	21.03.2019	03 months (21.03.2019 to 30.06.2019)	266,247
Total				**4,632,153**

Audit was of the view that the deployment of EPZA officials in the Ministry was not justified as the employees did not contribute to EPZA's working for which they drew their emoluments.

The matter was reported to the management in September, 2019. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC ordered stoppage of salaries of the above said employees along with their repatriation to their parent organization with immediate effect.

Audit recommends implementation of DAC directives.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.2 Pakistan Industrial Development Corporation

7.2.1 Introduction

Pakistan Industrial Development Corporation (Private) Limited (PIDC) was incorporated on January 01, 1985 under the Companies Ordinance 1984, now the Company's Act 2017. 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 from April 01, 1985. The primary aim of establishment of PIDC was to set up industries in such fields where the private sector was shy and where large amount of capital outlay with long gestation period was required. Secondly, the object was to set up industries in such areas, which were backward with a view to creating employment opportunities and removal of regional disparities.

7.2.2 Comments on Audited Accounts

7.2.2.1 The working results of the Corporation for the year ended June 30, 2017 as compared with preceding years are depicted below:

(Rs in million)

	2016-17	**% Inc/ (Dec)**	**2015-16**	**% Inc/ (Dec)**	**2014-15**
Interest, Property and Dividend Income	617.95	(0.71)	622.40	(11.36)	702.16
Admin, Property and Financial Expenses	(308.53)	21.74	(253.44)	12.83	(224.63)
Operating Profit/ (Loss)	309.43	(16.13)	368.95	(22.74)	477.53
Other charges	(112.57)	(6.20)	(120.01)	(33.69)	(180.97)
Profit/(Loss) before taxation	201.47	(19.16)	249.23	(16.04)	296.84
Profit after tax	155.06	(5.76)	164.54	(38.06)	265.64

(Source: Annual Audited Accounts)

The Revenues of PIDC comprise of Interest, Property and Dividend income which shows the downward trend, from Rs 702.16 million in 2014-15 to Rs 617.95 million in 2016-17, which is more than 12% decrease in the span of 3 years that requires justification.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:01:16 PM

7.2.2.2 Expenditures continued to rise every year, from Rs 224.63 million in 2014-15 to Rs 253.44 million in 2015-16, increased by 12.83%, and further an increase of 21.74% from Rs 253.44 million in 2015-16 to Rs 308.53 million in 2016-17, which required explanation.

7.2.2.3 Profit before tax in 2014-15 was Rs 296.83 million, which decreased by 16.04% to Rs 249.23 million in 2015-16, which again declined by 19.16% to Rs 201.47 million in 2016-17, which needed justification.

7.2.2.4 Profit after tax declined from Rs 265.54 million in 2014-15 to Rs 164.54 million in 2015-16 and again to Rs 155.06 million in 2016-17, decline of 5.76% as compared to 2015-16, which requires explanation.

7.2.2.5 Trade and other payables tend to rise every year, from Rs 134.31 million in 2014-15 to Rs 140.14 million in 2015-16 and from Rs 140.14 million to Rs 148.54 million in 2016-17 showing consistent rise in payables, which needed justification.

7.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of complian ce
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
2015-16	8	1	7	8.2.4.1, 8.2.2.1, 8.2.2.2, 8.2.2.3, 8.2.2.4, 8.2.3, 8.2.4.2	13
Total	**200**	**179**	**21**		**90%**

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

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.2.4 Audit Paras

7.2.4.1 Non-recovery of loan amount from PG&JDC – Rs 78.317 million

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

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 Industrial Development Corporation (PIDC), Karachi for the year 2018-19, it was observed that the management had provided interest free loan of Rs 78.317 million to Pakistan Gems & Jewellery Development Company which was facing huge losses over the years and it failed to pay back the amount of Rs 78.317 million and the chances of such recovery are becoming remote with the passage of time.

Audit was of the view that the giving of loan to PG & JDC which was running in losses was not justified as making recovery from it was apparently not feasible.

The matter was reported to the management in October, 2019, but reply was not received. DAC meeting was not convened despite requests by audit.

Audit recommends expeditious recovery of the amount in question.

7.2.4.2 Non adjustment against advances – Rs 6.301 million

As per Rule 28 of GFR, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Accounts.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi for the year 2018-19, it was observed that the management had in the past provided advance to its officers which remained unadjusted even after a lapse of considerable time, the details of which are tabulated below:

Muhammad Imran Shahid
Asst. Programer
Monday, 24 February, 2025, 3:31:6 PM

Description	Account code	Name of employee	Amount in (Rs)
Advance against salary	0151	Mr. Ali Nawaz Junejo	3,349,261
	0150	Mr. Muhammad Khan	1,638,978
	0152	Mr. Muhammad Ismail	845,600
	5511	Mr. Abid Aziz Farooqui	82,000
	0128	Mr. M. Iqbal Tabish	38,192
	4616	Mr. Suhail Ikram (MORAFCO)	30,000
	0129	Mr. M. Sarfraz Javed	20,979
Advance against expenses to staff	0180	Mr. Ch. Anwar Cheema	100,000
	4591	Mrs. Humaira Adil	100,000
	4622	Mr. Asif Aftab	75,000
	4590	Mr. Azam Zaman	20,500
		Total Amount in Rs	**6,300,510**

Audit was of the view that the need for grant of advance to employees was not clear nor the adjustment of amount visible from record. Some of the beneficiaries already appeared to have retired from service and the chances of recovery may become remote with the passage of time.

The matter was reported to the management in October, 2019, but reply was not received. DAC meeting was not convened despite requests by audit.

Audit recommends expeditious recovery / adjustment of the amount in question from the concerned besides fixing of responsibility against those at fault.

7.2.4.3 Irregular/unjustified award of contract to 3rd lowest bidder - Rs 4.116 million

Rule 4 of PPRA Rules, 2004 states that the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 29 of PPRA Rules, 2004 states that the 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 bidding documents. Failure to provide unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

Muhammad Imran Shahid Asstt Programmer Monday, 24 February 2025, 3:31:6 PM

As per Rule-38 of PPR-2004, the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi for the year 2018-19, it was observed that the management advertised the contract for security services on 13.01.2019. In response, 06 bidders participated in the bidding process. Technical and financial bid was opened on 28.01.2019. M/s Achtung Security submitted the lowest financial bid for Rs 307,400 per month. However, the management instead of awarding the contract to the lowest bidder; awarded the work to the 3rd lowest M/s National Police Foundation Security Services (NPFSS) for Rs 343,000 per month for one (01) year.

Audit was of the view that the management had not formulated and announced through tender the evaluation criteria against which a bid was to be evaluated. The award of contract to the 3rd lowest bidder by ignoring the first lowest offer was therefore in violation of rules which also resulted in loss of Rs 427, 200.

The matter was reported to the management in October, 2019. The management in its reply dated December 17, 2019 stated that the contract was awarded on the basis of technical and financial evaluation at 70:30 ratio. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to refer the matter to Public Procurement Regulatory Authority for opinion whether the evaluation criteria of applying 70% weightage to technical area and 30% to financial bid in non-technical matter was in order or not.

Audit recommends implementation of DAC directives on priority.

7.2.4.4 Irregular award of contract for janitorial services - Rs 3.408 million

Rule 4 of PPRA Rules, 2004 states that the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 29 of PPRA Rules, 2004 states that the procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of bidding documents. Failure to provide unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

As per Rule 38 of PPRA 2004, the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi for the year 2018-19, it was observed that the management advertised the contract for janitorial services on 13.01.2019. In response, 09 bidders participated in the bidding process. Technical and financial bid was opened on 28.01.2019. M/s AVALON Services Private Limited submitted the lowest financial bid of Rs 122,875 per month. However, the management instead of awarding the contract to the lowest bidder; awarded the work to M/s The House Keepers the 4th lowest with the financial bid of Rs 142,000 per month for two (02) years.

Audit was of the view that the management had not formulated and announced through tender the evaluation criteria against which a bid was to be evaluated. The award of contract to the 4th lowest bidder by ignoring the first lowest offer was therefore in violation of rules which also resulted in loss of Rs 459, 000.

The matter was reported to the management in October, 2019. The management in its reply dated December 17, 2019 stated that the contract was awarded on the basis of technical and financial evaluation at 70:30 ratio. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to refer the matter to Public Procurement Regulatory Authority for opinion whether the evaluation criteria of applying weightage of 70% to technical area and 30% to financial bid in non-technical matter was in order or not.

Audit recommends implementation of DAC directives on priority.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31 PM

7.3 Pakistan Industrial Development Corporation Medical Centre

7.3.1 Introduction

PIDC Medical Centre was established in 1959 and awarded Corporation status in February, 1986 as a non-profit organization registered under Section 42 of the Companies Act, 2017 incorporated as Public Limited Company by Guarantee incorporate in Karachi, Sindh.

The principal activities of the center are to provide medical aid, medical relief and / or 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.

7.3.2 Comments on Audited Accounts

7.3.2.1 The working results of PIDC Medical Centre for the year 2017-18 as compared to previous year are given below:

(Rs in million)

	2017-18	% Inc/ (Dec	2016-17	% Inc/ (Dec	2015-16	% Inc/ (Dec)	2014-15
Income	6.0416	3.138	5.8578	(23.83)	7.69	6.81	7.20
Expenditure	5.940	1.312	5.8631	(30.28)	8.41	20.49	6.98
Net surplus/(deficit)	0.1015	-	(0.0528)	-92.67	(0.72)	-	0.23
Accumulated deficit	(10.942)	1.341	(10.7968)	0.16	(10.78)	7.26	(10.05)

(Source: Annual Audited Accounts)

During the year under review, income was increased by 3.138% (Rs 6.041 million: 2017-18, Rs 5.857 million: 2016-17) and also expenditure was increased by 1.312% (Rs 5.94 million: 2017-18, Rs 5.863 million: 2016-17) whereas accumulated deficit too increased by 1.34% (Rs 10.942 million: 2017-18, Rs 10.7968 million: 2016-17) which needed justification.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:31:6 PM

7.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2015-16	4	2	2	8.3.2.1, 8.3.2.2	50
Total	**4**	**2**	**2**	-	**50%**

The overall compliance of PAC directives was not satisfactory which needed to be improved.

7.3.4 Audit Paras

7.3.4.1 Irregular investment in Silk Bank Ltd - Rs 3.20 million

Finance Division Notification No. F.4 (1) 2002-13 R.II dated July 02, 2003 requires competitive bids from at least three independent financial institutions while placing the funds with any financial institution.

Further, para (3-a) of above stipulates that for the sake of the safety and security of deposits, the bank/financial institutions taking a deposit should have a minimum "A" rating (long-term) as appearing on the web-site of the State Bank of Pakistan.

During audit of Pakistan Industrial Development Corporation (PIDC) Medical Centre for the year 2017-18, it was observed that Rs 3.20 million was deposited in a saving account of Silk Bank in 2014 without competitive bidding as required under the rules. Moreover, Long Term rating of Silk Bank Ltd was "A-" in June, 2014 whereas, the required Long Term Rating of a bank was minimum "A" for placement of funds.

Audit was of the view that undue favor was extended to the Silk Bank while depositing the amount.

The matter was reported to the management in April, 2019, but reply was not received. DAC meeting was not convened despite requests by audit.

Audit recommends fixing of responsibility on the person(s) found at fault.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.3.4.2 Non-recovery / adjustment from various entities – Rs 2.673 million

Rule 26 of GFR provides that it is the duty of the department's 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 Industrial Development Corporation (PIDC) Medical Centre for the year 2017-18, it was observed that an amount of Rs 2.673 million was lying outstanding against various entities. Detail of debtors is as under:

S.No.	Name of Entities	Recoverable amount (Rs)
1	Income Tax Authorities	888,281
2	Pakistan Machine Tool Factory	770,705
3	Pakistan Steel Mills	669,260
4	Others	344,762
	Total	**2,673,008**

Audit was of the view that due to poor financial management, the amounts remained unsettled / unadjusted against different entities.

The matter was reported to the management in April, 2019, but reply was not received. DAC meeting was not convened despite requests by audit.

Audit recommends early recovery / adjustment of the outstanding amounts.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.4 Karachi Tools, Dies and Moulds Centre

7.4.1 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).

7.4.2 Comments on Audited Accounts

7.4.2.1 The working results of company for the year ended June 30, 2018 as compared to previous years are given below:

(Rs in million)

	2017-18	% Inc/ Dec	2016-17	% Inc/ Dec	2015-16	% Inc/ Dec	2014-15
Income	175.12	20.36	139.47	0.67	138.536	23.40	112.27
Other Income	5.90	(14.34)	6.75	4.09	6.48	(26.45)	8.81
Total Income	181.02	19.23	146.22	0.83	145.02	19.77	121.08
Direct Cost	(123.94)	(18.55)	(100.95)	(14.44)	(117.99)	20.77	(97.70)
Admin Expense	(24.34)	(6.84)	(22.68)	(14.89)	(19.74)	4.78	(18.84)
Total Expenses	(148.28)	(16.63)	(123.63)	(10.24)	(137.73)	18.18	(116.54)
Surplus/Deficit	32.73	31.00	22.58	209.82	7.29	60.58	4.54

(Source: Annual Audited Accounts)

Other income of the company reduced from Rs 6.75 million in 2016-17 to Rs 5.90 million in 2017-18 registering a decrease of 14.34%, which needed justification.

7.4.2.2 The total expenses increased by 16.63%. Direct cost also increased by 18.55% from Rs 100.95 million in 2016-17 to Rs 123.94 million in 2017-18, which needed clarification.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:31:6 PM

7.4.3 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
2015-16	7	3	4	8.4.2.2, 8.4.4.1, 8.4.4.2, 8.4.4.3,	43
Total	**12**	**4**	**8**		**33%**

The overall compliance of PAC directives was 33%, which needed to be improved.

7.4.4 Audit Paras

7.4.4.1 Irregular procurement of vehicles - Rs 3.10 million

As per Finance Division Office Memorandum No.7 (1) Exp-IV/2014 and 2016 dated September 9th 2014 & July 29th 2016, ''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 Karachi Tools, Dies and Moulds Centre (KTDMC), Karachi for the year 2016-17 & 2017-18, it was observed that the management purchased (02) vehicles during the ban period. The details of the vehicles are as under:

S. No.	Vehicle & Registration No	Quantity	Amount (Rs)
1.	COROLLA GLI 178BAT	01	1,969,000
2.	SUZUKI Cultus VXR BHT-835	01	1,129,000
	Total		**3,098,000**

Further review of the record it was noted that the management did not obtain approval of the Finance Division for such purchase.

The matter was reported to the management in December, 2018. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to make out a case and seek through its controlling Ministry the ex-post facto approval of the Finance Division.

Audit recommends implementation of DAC directives.

Muhammad Imran Shahid
Asst Programer
Monday, 24 February, 2025, 3:31:6 PM

7.5 National Industrial Parks Development and Management Company

7.5.1 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.

7.5.2 Comments on Audited Accounts

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

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

(Rs in million)

	2017-18	% Inc / (Dec)	2016-17	% Inc / (Dec)	2015-16	% Inc / (Dec)	2014-15
Revenue	568.986	(16.63)	682.47	10163%	6.65	(98.09)	348.98
Development Cost	(439.081)	(15.93)	(522.27)	-	-	-	(290.64)
Gross Profit	129.905	(18.91)	160.20	2309%	6.65	(88.60)	58.34
Administrative Expenses	(122.170)	12.42	(108.67)	19%	(91.05)	(9.79)	(100.93)
Operating profit/loss for the year	5.561	(89.21)	51.53	-	(84.4)	98.22	(42.58)
Other Income	148.490	90.89	77.79	109%	37.21	(54.21)	81.26
Financial Charges	(0.045)	12.5	(0.0407)	52%	(0.0267)	-	-
Profit/Loss before taxation	154.006	19.13	129.28	171%	47.63	25.67	37.9
Taxation	-	-	-	-	(0.44)	(93.17)	(6.44)
Profit/(Loss) after taxation	154.006	19.13	129.28	-	(47.63)	(251.40)	31.46

(Source: Annual audited accounts)

During year 2017-18, Revenue generation of the company declined to Rs 568.986 million as compared to Rs 682.47 million in preceding year indicating a decrease of 16.63 %, which needed explanation.

7.5.2.2 Administrative expenses increased by 12.42% from Rs 108.67 million in 2016-17 to Rs 122.170 million in 2017-18, which needed justification.

7.5.2.3 Other receivables have increased to Rs 102.541 million by 15.12% from Rs 89.083 million in 2016-17, which required explanation.

7.5.2.4 As disclosed in note 15.1 to the financial statements, an amount of Rs 63.789 million was receivable from PIDC, the confirmation of which was required from PIDC.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:16 PM

7.5.3 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
2015-16	9	2	7	8.6.2.1, 8.6.4.3, 8.6.4.2, 8.6.4.4, 8.6.2.2, 8.6.4.1, 8.6.4.5	22
Total	**18**	**5**	**13**		**28%**

The overall compliance of PAC directives was 28%, which needed to be improved.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.6 Pakistan Chemical & Energy Sector Skill Development Company

7.6.1 Introduction

Pakistan Chemical and Energy Sector Skills Development Company (PCESSDC), 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.

7.6.2 Comments on Audited Accounts

7.6.2.1 The working results of the company for the year 2017-18 as compared with the previous year are given below:

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

(Rs in million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Operating revenue	30.342	34.304	22.592	7.091	21.096
Operating expenses	(82.658)	5.728	(78.180)	43.116	(63.572)
Operating deficit	(52.316)	(23.505)	(68.391)	61.011	(42.476)
Finance cost	(0.191)	(52.010)	(0.398)	38.676	(0.287)
Other operating expenses	(18.279)	29.427	(14.123)	119.70	(0.124)
Other income	4.522	110.914	2.144	116.785	0.989
Deferred capital grant released	55.874	227.438	17.064	138.158	7.165
Operating Deficit/Surplus of the year	10.39	110.39	(50.902)	-	7.274
Deficit /Surplus for the year	6.277	106.277	(31.776)	(9.734)	(35.203)
Accumulated deficit	(77.754)	48.797	(52.255)	47.022	(35.552)

(Source: Annual Audited Accounts)

Operating expenses increased from Rs 78.180 million to Rs 82.658 million registering an increase of 5.728% during the year 2017-18, which needed justification.

7.6.2.2 Other operating expenses increased from Rs 14.123 million to Rs 18.279 million which increased by 29%, which needed clarification.

7.6.2.3 Creditors and other liabilities increased from Rs 6.976 million to Rs 9.068 million during the year 2017-18, which required explanation.

7.6.3 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	-
2015-16	3	2	1	8.5.2.1	-
Total	**8**	**2**	**6**	**-**	**25%**

The overall compliance of PAC directives needs improvement.

Muhammad Imran Shahid Asstt Programer Monday, 24 February, 2025, 3:31:16 PM

7.7 Pakistan Gems and Jewellery Development Company

7.7.1 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 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 and to enhance its competiveness internationally by facilitation, technology up-gradation, skill development, marketing and branding and to support growth of Gems and Jewellery Industry by way of supporting and facilitating business development services for the enterprises across the Gems and Jewellery value chain.

7.7.2 Comments on Audited Accounts

7.7.2.1 The working results of the company for the year 2018-19 as compared with the previous year are given below:

(Rs in million)

	2018-19	**% Inc/ (Dec)**	**2017-18**	**% Inc/ (Dec)**	**2016-17**	**% Inc/ (Dec)**	**2015-16**
Income							
Training Fees	3.43	(59.65)	8.50	(0.47)	8.54	51.42	5.64
Income from Exhibitions	-	-	-	(100.00)	8.31	635.40	1.13
Grant related to Investment	-	(100)	50.00	25.01	40.00	-	-
Other Income	1.99	(0.85)	2.01	41.55	1.42	(67.27)	4.34
Expenditure							
Direct Costs	(101.30)	(17.22)	(122.37)	(21.43)	(155.75)	32.53	(117.52)
Administrative Expenses	(31.81)	(27.09)	(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	(126.07)	19.94	(105.11)	(26.40)	(142.82)	(1.18)	(144.53)

(Source: Annual Audited Accounts)

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025 3:31:6 PM

Training fees declined by 59.65% as compared to 8.50 million in 2017-18 to Rs 3.43 million in 2018-19, which needed justification.

7.7.2.2 Excess of expenditure over income rose from Rs 105.11 million in 2017-18 to Rs 126.07 million in the year 2018-19, which needed clarification.

7.7.2.3 The company's current assets as at June 30, 2019 stood at Rs 24.579 million which are lower than its current liabilities of Rs 116.605 million. The accrued and other liability of the company as at June 30, 20419 was Rs 38.288 million which is 303% higher than the previous year figure of Rs 9.941 million, which required elucidation.

7.7.3 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
2015-16	8	2	6	8.7.4.1, 8.7.2.1, 8.7.2.2, 8.7.2.3, 8.7.2.4, 8.7.2.5	25
Total	**11**	**3**	**8**	**-**	**27%**

The overall compliance of PAC directives needs improvement.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.8 Pakistan Institute of Management

7.8.1 Introduction

Pakistan Institute of 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.

7.8.2 Comments on Audited Accounts

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

7.8.3 Compliance of PAC Directives

Audit Report Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
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
2015-16	3	2	1	8.8.2.1	67
Total	**18**	**6**	**12**	-	**33%**

The overall compliance of PAC directives was 33% which need to be improved.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:56 PM

7.8.4 Audit Paras

7.8.4.1 Irregular award of contract for advertisement in violation of PPRA 2004 - Rs 6.039 million

Rule 4 of PPRA Rules states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 12 (2) of PPRA Rules 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 the audit of Pakistan Institute of Management (PIM) for the year 2018-19, it was observed that an amount of Rs 6.039 million was expended by the organization on account of advertisement during the year and payments were made to the advertising agencies without tenders as under:

Name of Agency	Amount (Rs in million)
M/s. Creative Junction (Payable)	4.845
M/s. Argus Advertising Agency	1.194

Audit was of the view that the above procurements were not conducted in a fair, transparent and efficient manner, which compromised the value for money and deprived the management of economical and competitive rates.

The matter was reported to the management in August, 2019. The matter was reported to the management in August, 2019. The management in its reply dated October 03, 2019 stated that the contracts were awarded under rule 42 (c) (vi) of PPR-2004 which allows direct contracting. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to refer the matter to Press Information Department (PID) for opinion.

Audit recommends implementation of DAC directives.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025 3:31:6 PM

7.9 Pakistan Steel Mills Corporation (Pvt.) Limited

7.9.1 Introduction

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

7.9.2 Comments on Audited Accounts

7.9.2.1 The management of PSM did not provide the audited accounts for the years ended June 30, 2017-18 and 2018-19. However, the working results of the Corporation for the year 2016-17 as compared with those of the previous years are given below:

(Rs in million)

	2016-17	% Inc / Dec	2015-16	% Inc / Dec	2014-15
Sales-Net	435.24	(85.63)	3,029.39	(56.92)	7,031.72
Cost of Sales	(8,799.69)	(30.91)	(12,735.73)	(46.98)	(24,020.78)
Gross Profit/(Loss)	(8,364.45)	(13.82)	(9,706.34)	(42.87)	(16,989.06)
Distribution costs	(141.78)	(30.58)	(204.24)	(29.81)	(291.00)
Administration expenses	(1,787.69)	(13.85)	(2,075.00)	(25.75)	(2,794.63)
Other Operating Expenses	(309.89)	(45.22)	(565.69)	(30.65)	(815.75)
Finance Cost	(4,890.74)	(4.87)	(5,141.18)	(15.61)	(6,091.89)
Total expenses	(7,130.10)	(10.72)	(7,986.11)	(20.08)	(9,992.93)
Operating profit / (loss)	(15,494.54)	94.00	(7,987.05)	(70.40)	(26,981.99)
Other Income	13,619.27	2,691.41	487.90	(87.60)	3,934.61
Profit (loss) before Tax	(1,872.91)	(89.11)	(17,202.94)	(25.35)	(23,045.37)
Taxation	(35.07)	12.89	(31.07)	(21.78)	(39.72)
Net Profit/ (Loss) after Tax	(1,907.98)	(88.93)	(17,234.00)	(25.35)	(23,085.08)
Accumulated losses	(157,441.39)	(0.23128786)	(157,806.38)	11.43102	(141,618.00)

(Source: Annual Audited Accounts)

During the year 2015-16 sales declined to 3,029.39 million as compared to Rs 7,031.72 million in the year 2014-15 registering decline of 56.9%. Sales

Muhammad Imran Shahid Asst Programmer Monday, 24 February, 2025, 3:31:6 PM

further declined to Rs 435.24 million in the year 2016-17 registering fall of 85.63 % as compared to 2015-16. This needed justification.

7.9.2.2 Cost of sales has shown significant increase as compared to net sales, over a period of three years. It was 341% in the year 2014-15 which rose to 420% in the year 2015-16 and further jumped to 2,022% which requires elucidation.

7.9.2.3 The cost of fuel, power and gas amounting Rs 540.9 million in the year 2017 is a significant issue which calls for justification.

7.9.2.4 The cost of stores, spare parts and loose tools was Rs 97 million in the year 2017 whereas the operations remained nil, which needed explanation.

7.9.2.5 As part of Admin expense, electricity, water and Gas reflecting cost of Rs 594.2 million in the year 2016 which rose to Rs 961.8 million in the year 2017 so registering an increase of 62%, which needed justification.

7.9.2.6 Other income includes income from educational institute reflecting zero income in the year 2017 as against last year's income of Rs 11.6 million, registering 100% decline, which requires investigation.

7.9.2.7 Net loss after tax for the year 2016-17 was Rs 1,907.98 million as compared to net loss after tax of Rs 17,234 million in 2015-16, which required justification.

7.9.2.8 Accumulated losses of the corporation continued to rise from Rs 141,618 million in 2014-15 to Rs 157,806.38 million in 2015-16, increase of 11.43%, which needed justification.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.9.3 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
2015-16	18	1	17	8.9.4.5, 8.9.4.8, 8.9.2.1, 8.9.2.2, 8.9.2.3, 8.9.2.4, 8.9.2.5, 8.9.2.6, 8.9.2.7, 8.9.3, 8.9.4.1, 8.9.4.2, 8.9.4.3, 8.9.4.4, 8.9.4.6, 8.9.4.7, 8.9.4.9	6
Total	**263**	**165**	**98**	-	**63%**

The overall compliance of PAC directives needs improvement.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2020 1:31:6 PM

7.9.4 Audit Paras

7.9.4.1 Non-recovery of miscellaneous receivables from different parties - Rs 552.48 million

Rule 26 of GFR provides that it is primarily the responsibility of 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 Public Account.

During audit of Pakistan Steel Mills (PSM) for year 2018-19, it was observed from the record held with PSM that the management failed to recover huge amount of receivables to the tune of Rs 552.48 million since the last so many years as per statement attached **(Annex-25).**

Audit was of the view that the non-recovery of Steel Mills dues indicates poor financial management and weak internal controls within the organization.

The matter was reported to the management in October, 2019. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The management informed that it will take them considerable time to recover the said amount. The DAC directed the management to expedite recovery and get the same verified from audit.

Audit recommends implementation of DAC directives.

7.9.4.2 Unjustified expenditure on bulk water supply - Rs 412.503 million

Rule 23 of GFR states that every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part.

Rule 26 of GFR provides that it is primarily the responsibility of 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 Public Account.

During audit of Pakistan Steel Mills Corporation (Pvt.) Limited (PSM) for the year 2018-19, it was observed that the PSM arranged water in bulk from KWSB. The water so procured was to be used for production activities in the

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025 3:31:6 PM

plant and for supply to PSM's residential areas like Steel Town, Gulshan-e-Hadeed and commercial areas in the vicinity. The record of billing reflected that the PSM received bill amounting to Rs 412,503,336 for the period ending 30.06.2019 from Water Board. However, the management could not provide details in terms of water dues recovered by them from its consumers nor could it provide any details against water consumed against the plant operations.

The matter was reported to the management in October, 2019. The management in its reply admitted shortfall in recovery but it failed to spell out details of water consumption in huge quantity with almost nominal recovery from the users which raised questions over the water distribution system itself, especially Rs 65.178 million worth water over non-functional plant was questionable and required probe. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to get its requirement of water assessed for the main plant and ensure recovery from the other consumers in line with actual billing within 03 months.

Audit recommends implementation of DAC directives.

7.9.4.3 Non-recovery of Steel Mills dues from M/s Hadeed Welfare Trust - Rs 97.39 million

Rule 23 of GFR states that every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part.

Rule 26 of GFR provides that it is primarily the responsibility of 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 Public Account.

During audit of Pakistan Steel Mills (PSM) for year 2018-19, it was observed from the record held with management that an amount of Rs 97.39 million was appearing as receivable from M/s Hadeed Welfare Trust from the last so many years against different heads **(Annex-26).**

Audit was of the view that the non-recovery of Steel Mills dues from the Trust indicates poor financial management and weak internal controls within the organization.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:16 PM

The matter was reported to the management in October, 2019. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to provide record of registration of Hadeed Welfare Trust, its purpose and arrange recovery from them and get the same verified from audit.

Audit recommends implementation of DAC directives.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.10 Pakistan Steel Fabricating Company (Pvt.) Limited

7.10.1 Introduction

Pakistan Steel Fabricating Company (Pvt.) Limited (PSFCL), a wholly owned subsidiary of the Pakistan Steel Mills Corporation (Pvt.) Limited, was incorporated on Jun 28, 1975 under the Companies Act, 1913 (now the Companies Act, 2017). The principal activity of the Company is the fabrication of steel structure, production of paints and other related activities.

7.10.2 Comments on Audited Accounts

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

7.10.3 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
2015-16	4	1	3	8.10.2.1, 8.10.3, 8.10.4.1	25
Total	**50**	**29**	**21**		**58%**

The overall compliance of PAC directives needs improvement.

Muhammad Imran Shahid Asstt Programer Monday, 24 February, 2025, 3:31:6 PM
Muhammad Imran Shahid Asstt Programer Monday, 24 February, 2025, 3:31:6 PM

7.11 Pakistan Machine Tool Factory (Pvt.) Limited

7.11.1 Introduction

Pakistan Machine Tool Factory (Pvt.) Limited (PMTF) was established with technical collaboration of M/s. Oerlikon Buhrle of Switzerland. It was incorporated on Jul 23, 1974 as a private limited company under the Companies Act, 1913 (now Companies Act 2017). 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.

7.11.2 Comments on Audited Accounts

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

7.11.3 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
2008-09	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
2015-16	7	-	7	8.11.2.1, 8.11.2.2, 8.11.3, 8.11.4.1, 8.11.4.2, 8.11.4.3, 8.11.4.4,	
Total	**31**	**13**	**18**		**42%**

The overall compliance of PAC directives needs improvement.

Muhammad Imran Shafiq
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.11.4 Audit Paras

7.11.4.1 Non-recovery from various entities - Rs 93.152 million

Rule 26 of GFR provides that it is primarily the responsibility of 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 Public Account.

During audit of Pakistan Machine Tool Factory (PMTF) Private Limited for the year 2016-17 & 2017-18, it was observed that an amount of Rs 93.152 million was outstanding for more than two (02) years from different agencies as tabulated below:

S. No.	Category of Defaulters	Outstanding Amount (Rs)
1	Govt. Agencies	32,363,000
2	State Enterprises	11,660,000
3	Industries	48,579,000
4	Commercial Customers	550,000
	Total	**93,152,000**

Audit was of the view that due to slackness of the management; outstanding dues had piled up to Rs 93.152 million which reflected poor financial management and weak internal controls within the organization.

The matter was reported to the management in March 2019. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to make concrete efforts for recovery of the amount in question.

Audit recommends implementation of DAC directives.

7.11.4.2 Irregular procurement of CNC Lathe Machines - Rs 8.324 million

Rule 12 (2) 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.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025 3:31:6 PM

Rule 40 of PPRs-2004 states that save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder:

During audit of Pakistan Machine Tool Factory (Pvt.) Limited (PMTF) for the years 2016-18, it was observed that the management awarded two procurement contracts of CNC Lathe Machines totaling to Rs 8.324 million (Rs 6.118 million and Rs 2.206 million) to M/s E-tech, Lahore without press tenders. From record, it was also noticed that the management before awarding the contracts negotiated the prices with the bidders, which was not covered under the rules.

Audit was of the view that the management by not following rules failed to generate healthy competition in the process which indicated weak internal controls existing within the organization.

The matter was reported to the Management in January 2019. The management in its reply dated December 19, 2019 stated that it advertised the proposed procurement on PPRA website only and negotiated rates with M/s E-Tech so that its price matched with the lowest. The procurement order was placed to M/s E-Tech accordingly after the negotiations. The irregularity was discussed in the DAC meeting held on December 19 and 20, 2019. The DAC directed the management to submit revised reply justifying above irregularity.

Audit recommends fixation of responsibility for violation of rules on the person(s) at fault.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.12 ENAR Petrotech Services (Pvt.) Limited

7.12.1 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.

7.12.2 Comments on Audited Accounts

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

(Rs in million)

	2017-18	% Inc/ (Dec)	2016-17 (Restated)	% Inc/ (Dec)	2015-16
Income from Services	99.86	(18.43)	122.41	(18.47)	150.15
Cost of Services	110.03	1.79	108.09	(9.81)	119.85
Gross Profit / loss	(10.17)	-	14.32	(52.71)	30.29
Administrative and general expenses	27.10	12.30	24.13	0.37	24.04
Other income	2.42	(50.12)	4.85	6.59	4.55
Loss before taxation	(35.24)	570.07	(5.26)	-	10.80
Taxation	18.72	74.62	10.72	223.87	3.31
Loss after taxation	(53.96)	237.68	(15.98)	0.00	7.49

(Source: Audited Accounts)

The working results indicates that the income from services declined by 18.43%, from Rs 122.41 million in 2016-17 to Rs 99.86 million in 2017-18, which needed justification.

7.12.2.2 Administrative and general expenses increased by 12.30%, from Rs 24.13 million in 2016-17 to Rs 27.10 million in 2017-18, which needed explanation.

7.12.2.3 Other income decreased by 50.12% from Rs 4.85 million in 2016-17 to Rs 2.42 million in 2017-18, which needed elucidation.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:31:16 PM

7.12.2.4 Loss after taxation increased by 237.68% from Rs 15.98 million in 2016-17 to Rs 53.93 million in 2017-18, which needed justification.

7.12.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Complianc e reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1996-97	5	4	1	163	80
1999-00	6	-	6	319.320,321,322,323,324	-
2000-01	5	4	1	296	80
2004-05	1	-	1	72	-
2005-06	6	2	4	129.1, 129.2, 129.4, 130	33
2008-09	22	21	1	120.1	95
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
2015-16	14	1	13	8.12.4.7, 8.12.2.1, 8.12.2.2, 8.12.2.3, 8.12.2.4, 8.12.3, 8.12.4.1, 8.12.4.2, 8.12.4.3, 8.12.4.4, 8.12.4.5, 8.12.4.6, 8.12.4.8	7
Total	**77**	**34**	**43**	-	**44%**

The overall compliance of PAC directives needs improvement.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.13 Furniture Pakistan (Pvt.) Limited

7.13.1 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.

7.13.2 Comments on Audited Accounts

7.13.2.1 The working results for the year 2018-19 as compared to the previous years are as under:

(Rs in million)

	2018-19	% Inc/ (Dec)	2017-18	% Inc/ (Dec)	2016-17
Income					
Profit on bank accounts	0.57	(73)	2.12	437	0.40
Income from projects	4.77	74	2.74	82	1.51
Gain on disposal of fixed asset	0.03	(95)	0.54	-	-
Other income	0.79	616	0.11	(63)	0.30
Total	**6.16**	**12**	**5.52**	**151**	**2.20**
Expenditure					
Salaries & Wages	17.63	9	16.24	(1)	16.45
Advertisement	2.22	450	0.40	(45)	0.74
Legal & professional charges	0.46	(34)	0.71	(2)	0.72
Other expenses	35.66	(3)	36.94	14	32.53
Total	**55.96**	**3**	**54.29**	**8**	**50.44**
Surplus/ (deficit) for the year	**(49.84)**	**2**	**(48.77)**	**1**	**(48.24)**

(Source: Annual Audited Accounts)

As per statement of financial position, despite 12% increase in income for the year 2018-19 the company suffered a loss of Rs 49.840 million. The main reason for the deficit for the last three years was excess expenditure in excess of available financial resources. The management was required to curtail the expenditure especially after discontinuation of funding by the parent company i.e PIDC since December 2018.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025 3:31:6 PM

7.13.2.2 The expenditure incurred on Technical Assistance was Rs 1.827 million as on June 30, 2018 which increased to Rs 2.448 million as on June 30, 2019 without any tangible results. The increase in said expenditure needs to be justified and elaborated.

7.13.2.3 As per statement of income and expenditure the "salaries and wages" expense was Rs 16.243 million as on June 30, 2018 which increased to Rs 17.626 million as on June 30, 2019. The increase in said expenditure needs to be justified especially after discontinuation of funding by the parent company i.e PIDC since December 2018.

7.13.2.4 The expenditure incurred on advertisement was Rs 0.403 million as on June 30, 2018 which increased to Rs 2.216 million as on June 30, 2019. The abnormal increase in said expenditure needs to be justified especially after discontinuation of funding by the parent company i.e. PIDC since December 2018.

7.13.2.5 As per second paragraph of "basis for qualified opinion" Property, Plant and Equipment includes plant and machinery having book value of Rs 66.911 million as on reporting date which was purchased in financial year 2015 and considered to be idle till completion of building at Noshero Feroz. No use of plant and machinery is the indication of impairment. The management did not perform valuation of plant and machinery by the third party valuer which is due to lack of plant and machinery for the long period. Consequently, chartered accountants were unable to determine whether any adjustment was necessary. Further it is stated that this plant and machinery was purchased without any proper approval. Thus the whole process of purchasing plant and machinery is vague. Reasons of non completion of building as well as purchase of plant and machinery since long before completion of building need to be justified and elaborated.

7.13.2.6 As per note 5.1.1 of financial statements "Plant and Machinery" includes addition of Rs 1.730 million for the year June 30, 2019 but as per note 1.3 the company is facing financial crises, due to non availability of funds from PIDC during the year. So the need for purchasing new plant and machinery may be elaborated along with its impact on increase in sales and profit for the year.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

7.13.2.7 As per note 5.2 of financial statements the capital work in progress was Rs 114.645 million as on June 30, 2018 which increased to Rs 161.192 million as on June 30, 2019. The increase in capital work in progress needs to be elaborated.

7.13.2.8 As per note 9 of financial statements the provision of doubtful debts carries amount of Rs 3.639 million. The company must take measures to recover the doubtful debts in view of the decision of the parent company i.e. PIDC to merge the company in TUSDEC after June 2019.

7.13.2.9 As per note 13 of financial statements the "Trade and other Payables" were of Rs 19.315 million as on June 30, 2018 which increased to Rs 57.392 million as on June 30, 2019. Despite financial crises the increase in liability of trade and other payables needs to be justified.

7.13.3 Compliance of PAC Directives:

There was no pending PAC directives for compliance.

7.13.4 Audit Paras

7.13.4.1 Loss due to irregularities in procurement of land, machinery and human resource for CFTMC Chiniot, Sargodha and Peshawar - Rs 459.512 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 with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely: (a) 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 audit of Furniture Pakistan for the years 2014-15 to 2017-18 it was observed that the Ministry of Industries & Production removed Mr. Faisal Shamim ex Chief Executive Officer of the company from the office after inquiry

Muhammad Imran Shahid Asstt Programmer Monday, 24 February, 2025, 3:31:6 PM

into massive irregularities valuing Rs 459.512 million committed by the officer regarding procurement of land, machinery and HR Resources for the three CFTMCs Peshawar, Ciniot, Sargodha, Gujrat and sent the case to NAB for investigations. Further it was revealed that the bids for the procurement of machinery were not opened in the Furniture Pakistan Head Office, Lahore rather it was opened in the office of the Secretary Industries on January 04, 04, 2013 in the absence of the bidders in violation of PPRs 2004. The LC amounting to Euro 1,750,500 was opened in favour of an individual i.e Mr. Andre Meyn Account No: 5255559 00 (Dutche Bank) Hamburg Germany instead of supplier company designated bank account. The port of shipment was subsequently changed from Hamburg Germany to Jabel Ali Dubai and country of origin: "Germany" was also omitted by the CEO which resulted into procurement of old/ used machinery. The management also incurred Rs 73.324 million on procurement of machinery lying unutilized since 2013. The land of CFTC Peshawar was purchased for Rs 74.00 million which was at a very high price. The management also purchased 22,000 sq feet area for CEFWA Sargodha amounting to Rs 38.00 million with an old constructed building instead of 16,000 sq ft mentioned in the PC-I of the project. The management also hired the services of large number of employees beyond the mandate of approved PC-I and without any requirement. This resulted into massive irregularities in procurement of land, Human Resource and machinery valuing Rs 459.512 million (Rs 205.69 million + Rs 253.822) for its four CFTMCs Chiniot, Sargodha, Peshawar and Gujrat in 2013.

Audit was of the view that the BoD and Ministry of Industries & Production willfully ignored the massive irregularities in Furniture Pakistan Company which resulted in ruining of the large potential of the sector of Furniture in Pakistan and chances of its revival are remote.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control and violation of Corporate Governance Rules.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Muhammad Imran Shahid
Asst Programer
Monday, 24 February, 2025 3:31 PM

Audit recommends corrective action besides conducting massive corruption in the company and non-ensuring compliance with the fundamental principles of probity and propriety by the BoD.

7.13.4.2 Irregular appointment of Ex-GM Monitoring/CEO and non recovery of arrears of pay and excess salary - Rs 16.236 million

According to advertised criteria for the post of GM (Monitoring and Evaluation) dated: July 19, 2011, the required qualification was Masters in management/ MBA and minimum 10 years experience. According to release of funds for call for capital for 3rd and 4rth quarter of financial year 2014-15 by PIDC vide letter dated: March 12, 2015, Rs 25.000 million were released subject to fulfill the following conditions:

i- To give assurance by submitting a certificate to PIDC that funds to be utilized in proper and in transparent manner for execution of the project as per PC-I;

ii- To follow/adhere to all applicable PPRA Rules & regulations while releasing any payment.

During audit of Furniture Pakistan for the years 2014-15 to 2017-18 it was observed that the management made contract appointment of Mr. Faisal Shamim as General Manager (Monitoring & Evaluation) for two years vide appointment letter dated: September 19, 2011. The appointment of the General Manager (Monitoring & Evaluation) was held irregular as the selected candidate was student of M.A in Institute of Administrative Sciences, University of the Punjab in September 2001 hence he did not possess the claimed experience of 13 years in 2011. The other candidates having higher qualification and experience were ignored. The management was unable to obtain the educational degrees and experience certificates of Mr. Faisal Shamim despite lapse of four years and same officer was again appointed as CEO without obtaining above documents, therefore his appointment was not transparent. The HR Committee selected him own current charge CEO in July 2015 by ignoring the highly qualified and more experience candidates which showed conflict of interest. The Chairman Furniture Pakistan BoD was also the Chairman HR Committee who selected the acting charge CEO as regular CEO, whereas the Chairman BOD was not authorized to act as Chairman HR Committee. Mr. Faisal Shamim claimed and approved his

Muhammad Imran Sharif
Asst Programmer
Monday, 24 February 2025, 3:31 PM

own arrears of pay for the period 2012 to 2015 amounting to Rs 2,589,984 on the plea that he was given the charge of CEO since April 2012 as the BOD ratified the appointment of acting CEO w.e.f 2012. Mr. Faisal Shamim also drew salary of Rs 1,760,000 which was in excess of the amount given in PC-I of Furniture Pakistan during July 2015 to May 2016 in violation of the direction of PIDC dated March 12, 2015. The services of the CEO were terminated w.e.f November 25, 2016 by MOIP as a result of an inquiry conducted against the CEO by the Ministry and matter was referred to NAB by the company w.e.f February 15, 2017 which is pending since then.

This resulted into irregular appointment of ex General Manager (Monitoring & Evaluation) and Chief Executive Officer and payment of pay and allowances valuing Rs 16.236 million.

Audit was of the view that the management was required to recruit the most suitable candidate for the post of General Manager (Monitoring & Evaluation) and Chief Executive Officer of the company but it failed to do so which resulted into irregular appointment and mismanagement in the company.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control and violation of advertise criteria.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting an inquiry regarding appointment of GM in violation of advertised criteria and fixing responsibility thereof.

7.13.4.3 Irregular appointment on fake degrees - Rs 9.712 million

According to Cabinet Secretariat (Establishment Division) vide letter dated March 08, 2011, 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.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025 3:31:6 PM

During audit of Furniture Pakistan for the years 2014-15 to 2017-18 it was observed that the management made appointment of Mr. Shehzad Aslam as Manager Marketing in 2012 having MBA degree from National Textile College & Management Institute Faisalabad. The officer was promoted to Manager Showroom w.e.f July 23, 2013 and as Assistant Manager CEFWA Sargodha w.e.f February 10, 2015. Furthermore, the management also appointed Mr. Nauman Ali Warriach as Regional Assistant Manager on September 20, 2011 having MBA Marketing from Premier College of Business Administration & Economics. The educational degrees of the officers were declared bogus by HEC on September 12, 2017 and July 27, 2017 respectively. The management has filed suit for recovery of salary and benefits valuing Rs 4.856 million against Mr. Ahmed Usman in the court of Senior Civil Judge Lahore which is pending. This resulted into irregular appointment of Manager Marketing and Assistant Regional Manager on fake MBA degrees and payment of pay and allowances valuing Rs 9.712 million.

Audit was of the view that the management was required to get the educational degrees verified within six months of the initial appointment but it failed to do so resulting in appointment of two managers and an assistant manager on fake degrees.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control and non verification of degrees at the time of appointment.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting an inquiry and fixing responsibility.

7.13.4.4 Irregular appointment of daily wages staff - Rs 8.718 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

Muhammad Imran Sharid
Asst Programmer
Monday, 24 February 2025, 3:31:6 PM

should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual.

During audit of Furniture Pakistan for the years 2014-18, it was observed that the management appointed 58 daily wage staff and paid Rs 8.718 million to them. Further certain daily wages employees were working with the company for the last two years. There was no approved procedure for hiring of daily wage staff in the company. These employees were being engaged on daily wage basis without any open competition. Thus, the engagement / recruitments of daily wage staff without advertisement and approved criteria was against the Supreme Court instructions and considered irregular by audit. Furthermore, the management violated the direction of holding company M/s PIDC dated March 12, 2015 regarding transparent utilization of PIDC funds for projects in the light of PC-I.

Audit was of the view that daily wage appointments were made by violating the criteria defined by the Supreme Court of Pakistan which resulted into irregular/unjustified appointment of staff on daily wages and payment of salary amounting to Rs 8.718 million therein.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control and violation of Establishment Division's instructions.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting an inquiry and fixing responsibility.

7.13.4.5 Irregular appointment and promotion of Management Associate - Rs 8.457 million

According to the advertised criteria for the appointment of Management Associate dated April 27, 2008, the required qualification was four years Bachelor or Masters degree in Business Administration with 1-2 year experience related field.

During audit of Furniture Pakistan for the years 2014-15 to 2017-18 it was observed that the management made appointment of Mr. Ahmed Usman as

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025 3:31:6 PM

Management Associate in June 2009. The appointment was held irregular as Mr. Ahmed Usman had only 7 months experience instead of required 1-2 years experience for the job. The ex management granted him frequent promotions without fulfilling the required length of service for the promotion to next scale which was also held irregular. During 2014-15 and 2015-16 there were gross financial irregularities committed by Mr. Faisal Shamim ex CEO and Mr. Ahmed Usman. This resulted into irregular appointment and payment of pay and allowances valuing Rs 8.457 million.

Audit was of the view that the management was required to appoint the most suitable person and grant promotion according to approved criteria for promotion but undue favour was extended to the employee by irregular appointment and undue promotions which led to massive irregularities during 2014-15 and 2015-16 which was held irregular. The management was also unable to get the HR Policy of the company approved from BoD till October 2012.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control and violation of advertised criteria.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting an inquiry and fixing responsibility.

7.13.4.6 *Expenditure on doubtful erection of machinery and industrial electrification of CFTMC Peshawar, Sargodha and Chiniot - Rs 8.092 million*

According to GCC 16.1(ii) of the contract dated: January 2013 regarding supply of machinery to Furniture Pakistan by M/s Style Generation, fifteen percent of the contract price of goods were to be paid after installation and commissioning of machinery (goods) and upon submission of certificate of inspection confirming that all machinery was designed, installed, tested and operated according to the operational requirements of the purchaser and certificate of acceptance issued by purchaser.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025 3:31:6 PM

During audit of Furniture Pakistan for the years 2014-15 to 2017-18 it was observed that the management constructed three Common Facility Training and Manufacturing Centers at Chiniot, Peshawar and Sargodha without industrial electric facility and also released the 15% contract price to machinery supplier without installation and commissioning of machinery at Sargodha, Chiniot and Peshawar and without issuance of the necessary inspection certificate. During 2014-15 the management incurred an expenditure of Rs 5.911 million on erection/ installation and test run of machinery and also carried out industrial electrification of CFTMC Chiniot, Peshawar and CEFWA Sargodha valuing Rs 2.181 million. On February 02, 2015 M/s Style Generation (the machinery supplier) requested the management to release the 10% retention money as the company had completed the commissioning of machinery and training of technical staff and had operated and demonstrated operation thrice upon request of the company management as per agreement. The management was unable to provide any evidence of erection/ installation, test run and electrification of machinery. However, expenditure was made through advances given to employees and in an irregular manner since the center's designated bank accounts had also not been opened. This resulted in doubtful /irregular expenditure of Rs 8.092 million (Rs 5.911 million + Rs 2.181 million).

Audit was of the view that the above expenditure seems doubtful as the supplier claims to have already operated and demonstrated machines thrice on the request of the company management whereas electrification had not taken place. Furthermore, the management was required to advertise the total requirement through tender but same was carried out through splitting to avoid the approval of the competent authority i.e BoD.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control defective procurement.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Muhammad Imran Sharif
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Audit recommends corrective action besides conducting inquiry for genuineness of the expenditure may be verified through third party for the splitting of the demand.

7.13.4.7 Hiring of Wood Sector Consultant and Manager Training without sanctioned post in PC-I - Rs 7.881 million

According to PC-I of Furniture Pakistan there was no post of Manager Training and Wood Sector Consultant. 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 audit of Furniture Pakistan for the years 2014-15 to 2017-18, it was observed that management hired the services of Mr. Tariq Shah as Wood Sector Consultant on contract basis w.e.f November 01, 2017 to look after its projects at Sargodha, Chiniot and Peshawar and made payment of consultancy fee and TA/DA amounting to Rs 3.752 million without any provision of Wood Sector Consultant in the approved PC-I of the company & projects and Manager Projects was handling the same responsibilities. Furthermore, management hired Mr. Shoaib Raza as Management Associate in 2009 without the requisite experience and was subsequently promoted to reach the position of Manager in 2012. The HR Committee in its 9th meeting held on June 12, 2013 decided to terminate the services of Mr. Shoaib Raza Manager Training and promotion as Manager Training was above the mandate of Furniture Pakistan PC-I but he was granted extension by the BOD uptill May 31, 2015. This resulted into irregular hiring of consultant and Manager Training and payment of remunerations valuing Rs 7.881 million (Rs 3.752 million + Rs 4.129 million).

Audit was of the view that, hiring of consultant for day to day activities of the centers in violation of the PC-I & hiring of Management Associate who did not fulfill the criteria was irregular. It seems that they were hired just to extend undue favour at the cost of company funds.

Muhammad Imran Shahid Asst Programmer Monday, 24 February, 2025, 3:52 PM

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control and violation of PC-I and Corporate Governance Rules.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting an inquiry and in violation of PC-I and fixing responsibility.

7.13.4.8 Irregular award of services contract, write off of bad debts and over payment to clearing agents - Rs 5.322 million

According to bidding documents for provision of services of clearing agents advertised in daily Nawa-e-Waqt dated: January 12, 2013, technical evaluation criteria was, registration with Income Tax and Sales Tax Departments along with copies of Income Tax/ Sales Tax Returns for the last five years, registration with Customs Authorities with documentary evidence, documentary proof of working in the field for minimum five years, proof of providing services to government or semi government organizations, list of clients and brief about their consignments, value wise/ quantity wise, audited accounts for the last five years, performance certificates from minimum three government or semi government departments, availability of appropriate managerial and technical staff, sound financial position with documentary evidence/ bank statements.

During audit of Furniture Pakistan for the years 2014-15 to 2017-18 it was observed that the management advertised the requirement of the services of agents for the clearance of imported machinery of CFTMC in 2011 in two nation-wide newspapers. Despite advertisement two hand quotations were obtained from M/s Akram Associates Lahore and M/s Al-Noor Traders Lahore. Neither bidders provided bids with requisite documents nor the technical evaluation of the bidders carried out and approved by the competent authority. Furthermore, no comparative statement was prepared for the approval of the competent authority and the bids were not opened in the presence of the bidders as no attendance record of the bidders was available. M/s Al-Noor Traders who quoted the highest bid of 0.90% of the total contract was awarded the contract which was higher than the prevailing market rate of 0.30%. There were missing documents

Muhammad Imran Shahid Asstt Programmer Monday, 24 February 2025, 3:31:6 PM

regarding payment of Rs 6.256 million to the Customs Department (Rs 3,956,163 + Rs 2,299,786). As per management statement to the Inquiry Committee over payment of Rs 2.50 million was made (due to payment of clearing charges @1.75% instead of agreed 0.90%) against which inquiry was being carried out. During 2016-17 an advance of Rs 2.822 million was outstanding against M/s Al-Noor Traders which was written off as bad debts by the management without any inquiry.

This resulted into irregular appointment of clearing agents for import of machinery and over payment of Rs 2.50 million, missing documents for payment of Rs 6.256 million and irregular writing off of advance to M/s Al-Noor Traders.

Audit was of the view that the management was required to hire the service of clearing agents for imported machinery on most competitive rates but same was awarded at higher rates and in non-transparent manner which was held irregular and also resulted into over payment of Rs 2.50 million.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control, hiring of clearing agents in non-transparent manners, over payment and write offs.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for award of services contract at higher rates, recovery & over payment.

7.13.4.9 Loss due to arrangement of marine insurance of imported machinery - Rs 3.222 million

According to Clause-GCC 25.1 of the contract for supply of Wood Work Machinery dated: January 2013, the responsibility of the transportation of goods to CFR Karachi Port shall be of the supplier with insured portfolio.

During audit of Furniture Pakistan for the years 2014-15 to 2017-18 it was observed that the management procured machinery from Dubai worth Euro 1,750,500 equivalent to (Pak Rupees 253,822,000 @ Rs 145/Euro) for its four CFTMCs Chiniot, Sargodha, Peshawar and Gujrat in 2013. The management also arranged marine insurance of the goods from Hamburg Port Germany to

Muhammad Imran Shahid
Asst. Programmer
Monday, 24 February, 2025, 3:31:6 PM

Karachi Port & Dubai Port to Karachi Port. The management made payment of the premium of Rs 3.222 million (Rs 3.004 million + Rs 0.218 million) to NICL vide policy dated February 26, 2013 & dated: December 11, 2013 respectively despite the fact that same was the responsibility of the machinery supplier. This resulted into loss of Rs 3.222 million.

Audit was of the view that the management was required to ask the supplier to arrange marine insurance of the imported goods as per terms of contract dated January 2013 but it arranged the same which was loss to the company and undue favour to the machinery supplier.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control and in violation of contract/agreement.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends conducting an inquiry, fix responsibility, besides corrective measure such as recovery, for arranging marine insurance from Hamburg Port Germany and Dubai Port UAE to Karachi Port, by the supplier.

7.13.4.10Wasteful expenditure on hiring of sectoral consultant - Rs 2.00 million

According to the approval of BoD dated: July 06, 2012 for hiring of sectoral consultant, the 9th Initiatives Committee recommended for hiring of sectoral consultant to finalize detailed specification of machinery and equipment, ensure transparency in procurement process of machinery and equipment, curriculum for training courses and also self sustainability plan of the projects.

During audit of Furniture Pakistan for the years 2014-15 to 2017-18 it was observed that the management advertised the post of sectoral consultant in Daily Jang dated: July 15, 2012 on quality and cost based selection criteria. The management selected Mr. Shahbaz Ahmed as sectoral consultant without having any educational back ground. The experience of the consultant was five years in Interwood Mobel (Pvt) Ltd as Machine Operator, Carpenter and Machine Supervisor and five years in Woodlinks as Production Manager having zero

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

technical knowledge of wood machinery and equipment. The consultant was also involved in irregularities in procurement of machinery valuing 1,750,500 Euro (Pak Rupees 253,822,000 @ Rs 145/Euro) for its four CFTMCs Chiniot, Sargodha, Peshawar and Gujrat in 2013. The case was referred to NAB for investigation which was pending. This resulted into recruitment of a non-technical sectoral consultant and payment of remuneration of Rs 2.00 million.

Audit was of the view that the management was required to recruit professional as sectoral consultant but a low profile person was recruited as sectoral consultant for a high tech post which resulted into mass irregularities in procurement of wood sector machinery.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control and in violation of advertise criteria.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for the hiring of non professional sectoral consultant and payment of remunerations as per TORs.

7.13.4.11 Non-recovery/adjustment of outstanding advances from supplier & ex-employee - Rs 1.389 million

According to Rule-5 (5) (a) of the 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.

During audit of Furniture Pakistan for the years 2014-15 to 2017-18, it was observed that advances of Rs 1.211 million was lying outstanding against contractor M/s Arshad Mehmood since 2013-14 and Rs 0.178 million (advance against operational expenses) was outstanding against ex employee Mr. Ahmed Usman since 2015-16. This resulted into non recovery of Rs 1.389 million.

Muhammad Imran Shahid Asst Programer Monday, 24 February, 2025, 3:31:6 PM

Audit was of the view that liberal financial policy and weak internal controls resulted in non-recovery/adjustment of such long outstanding advances and ultimately a loss to that extent would be borne by the company.

The matter was reported to the Management/Ministry on June 18, 2019.

The irregularity occurred due to weak internal control and violation of Corporate Governance Rules.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting an inquiry for non-recovery of outstanding advances besides fixing responsibility.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.14 Heavy Electrical Complex (Pvt.) Limited

7.14.1 Introduction

The Company was incorporated as a Private Limited Company on December 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.

7.14.2 Comments on Audited Accounts

7.14.2.1 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 2018-19 till December 31, 2019.

7.14.2.2 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).***

7.14.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	%age 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, 8.19.41, 8.19.4.3, 8.19.4.5	25
2015-16	09	01	08	8.20.1, 8.20.2.1, 8.20.2.2, 8.20.2.3, 8.20.2.4, 8.20.2.5, 8.20.2.6, 8.20.3	11.1
Total	**61**	**35**	**26**		**57**

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

Muhammad Imran Shahid Asstt Programmer Monday, 24 February 2025, 3:31:6 PM

7.15 Industry Facilitation Centre (Pvt.) Limited

7.15.1 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).

7.15.2 Comments on Audited Accounts

7.15.2.1 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 to 2018-19 till December 31, 2019.

7.15.2.2 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).***

7.15.3 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.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.16 National Fertilizer Corporation (Pvt.) Limited

7.16.1 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.

7.16.2 Comments on Audited Accounts

7.16.2.1 The working results of the Corporation for the year 2018-19 as compared with the previous years are given below:

(Rs in million)

	2018-19	%Inc/ (Dec)	2017-18	%Inc/ (Dec)	2016-17
Income					
Dividend	8.316	(27.94)	11.540	(40.55)	19.410
Profit on bank deposits	435.632	44.71	301.030	(3.13)	310.770
Other income	23.044	(18.28)	28.200	5,131.54	0.540
Total income	466.993	37.04	340.770	3.04	330.720
Expenses					
Administrative expenses	195.450	31.03	149.160	(13.92)	173.270
Finance charges	0.069	(23.33)	0.090	(26.67)	0.120
Total expenses	195.519	31.00	149.250	(13.93)	173.390
Profit before taxation	271.473	41.75	191.520	21.73	157.330
Taxation	78.043	35.82	57.460	17.33	48.970
Profit after taxation	193.430	44.29	134.060	23.72	108.360

(Source: Annual Audited Accounts)

Muhammad Imran Sharif
Asst Programer
Monday, 24 February, 2025 3:31:16 PM

The profit after taxation of the company increased from Rs 108.36 million in 2016-17 to Rs 134.07 million in 2018-19 registering an increase of 44.29 % which was mainly due to increase in profit on bank deposits by 44.71%. However, no income has been generated through any operational activity as 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.

7.16.2.2 Company has booked Rs 263.937 million as accrued profit in 2018-19 on WAPDA Sukuk Certificates valuing Rs 180 million. The matter regarding WAPDA Sukuk Certificate is long outstanding. The rentals were deposited with Lahore High Court which had already decided the case in favour of the Company on April 14, 2017. The matter is now in appeal for last two years. Vigorous follow up of the case is stressed upon the management in order to recover the principal and accrued profits.

7.16.2.3 The Company purchased vehicles amounting to Rs 4.640 million in 2018-19. The operational activities of the company had been stopped for so many years therefore procurement of new vehicles needs justification. Company has also disposed of vehicles costing Rs 4.816 million which also needs detailed justification with supporting record.

7.16.3 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
2015-16	01	0	01	8.22.3	0
Total	**149**	**140**	**9**		**94**

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

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025 3:31:16 PM

7.16.4 Audit Paras

7.16.4.1 Interest loss due to investment without interest - Rs 46.748 million and blockage of funds due to non-receipt of the shares from M/s IFC - Rs 247.03 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 audit of NFC HO, Lahore for the year 2017-18, it was observed that Rs 247.03 million (Rs 221.66 million + Rs 25.37 million in 2015-16 and 2016-17 respectively) was shown under the head "other long term investment" as advance shares subscription to M/s Industrial Facilitation Center (IFC) for allotment of shares. Not a single share of M/s IFC was allotted to NFC even lapse of more than four years, resultantly Rs 247.03 million was blocked. Moreover, the investment was made without finalization of any time period, as well as return on investment before allotment of shares. Due to non execution of any contract regarding interest on payment for the period before allotment of shares, management failed to avail the interest income upto 30.06.2018 Rs 46.748 million {(25.37x0.09x3=6.849) + (221.66 x 0.09 x 2 = 39.900)}.

The irregularity occurred due to weak internal control. Had the time period for allotment of shares and interest on investment before allotment of shares was decided, NFC could have earned interest income valuing Rs 46.748 million as availing 9.29% p.a. from M/s IFC.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for reasons for non-allotment of shares.

Muhammad Imran Sharif
Asst Programer
Monday, 24 February, 2025, 3:31:6 PM

7.16.4.2 Irregular loan disbursement to PMTF - Rs 120 million and Loss due to non-receipt of markup on loan to PMTF - Rs 18.724 million

As per Section-199(2) of Companies Act 2017, a company shall not make any investment (in the form of equity, loan or advance) in any of its associated companies or associated undertakings except under the authority of a special resolution which shall indicate the nature, period, amount of investment and terms and conditions. Return on investment should be recovered on regular basis in accordance with the terms of the agreement, failing which the directors shall be personally liable to make the payment. Moreover, Directors of investing company shall certify that the investment is made after due diligence and financial health of borrowing company is as such that it has the ability to repay the loan as per the agreement."

During the audit of NFC Head Office for the year 2018-19, it was observed that management disbursed an amount of Rs 120 million in two tranches of Rs 60 million each in June and August 2018 as a loan to Pakistan Machine Tool Factory (PMTF). Both the tranches were released on the instructions of the concerned Ministry without obtaining any resolution or approval of BoD and without any due diligence. The matter was presented to BoD of NFC in 136th meeting held on September 15, 2018 vide Agenda Item No. 4. The Board after deliberations did not ratify to lend loan of Rs 120 million by NFC to PMTF. The BoD further directed CEO-NFC to convey the decision of the Board to the Ministry for further necessary action on their part and for repayment to NFC of its Rs 120 million. Moreover management had booked markup of Rs 18.724 million against this loan which has not been received so far and thus considered as loss to NFC.

The irregularity occurred due to weak internal control, due diligence was not exercised while disbursing the loan to PMTF and payment amounting to Rs 120 million was released without the approval of BoD and in contravention to provision of Companies' Act. Thus disbursement of loan was held irregular in audit.

The matter was reported to the Management/Ministry on May 16, 2019.

Muhammad Irfan Shahid
Asstt. Programmer
Monday, 24 February, 2025 3:31:6 PM

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry of violation of Section-199 of Companies Act 2017 and to justify the loan disbursement without due diligence and approval of BoD.

7.16.4.3 Loss due to non-receipt of investment share in Pak China fertilizers limited - Rs 18.800 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 audit of NFC HO, Lahore for the year 2017-18, it was observed that Pak China Fertilizer Limited (PCFL) was a subsidiary of NFC with paid up capital of Rs 188.00 million. In 1992, Privatization Commission sold 90% shares of PCFL to M/s Schon Group, and 10% shares valuing Rs 18.800 million were retained by NFC (as per note 7.1.1 of financial statements for the year 2017-18). PCFL has closed its operations since year 2000 however, the said investment still appearing in the books of NFC even lapse of 18 years. Neither a single penny was received in shape of dividend/disposal of assets, nor settlement of these long term investment has been made.

The irregularity occurred due to weak internal control, and PCFL has closed its operations since 2000; however no effective steps have been taken regarding return on investment or its final settlement.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for non-taking the matter with appropriate level for early settlement of the investment.

Muhammad Imran Shahid Asstt Programmer Monday, 24 February, 2025, 3:31:6 PM

7.16.4.4 Irregular appointment of Chief Executive Officer - Rs 10.024 million

As per advertisement dated 28.12.2016, the required experience for the post of Chief Executive Officer, should be minimum 05 years at Sr. Management level in corporate sector, appointment shall be on contract for a period of 2 years, extendable subject to satisfactory performance, with lump sum pay of 400,000 p.m., with facility of 1300 cc car with driver and medical facility. As per schedule-II (Paragraph 3) of SECP rules dated 03.03.2015, fit and proper criteria for appointment of as Chief Executive of a public sector company, CEO must possess demonstrated experience of not less than ten years in governance or business administration or public administration or finance or commerce or marketing or any other field commensurate to the job in significant organization with a commercial orientation, as a chief executive or at a senior management level.

During audit of NFC HO, Lahore for the year 2017-18, it was observed that in response to advertisement dated 28.12.2016, 23 candidates applied, and 13 were shortlisted and interviewed on 28th January 2017. Out of them Mr. Omer Saeed Malik was selected as CEO and paid Rs 10.024 million on account of salary from May 2017 to April 2019. Only recruitment file was provided for seen to audit team in GM (A&P)'s room. The following irregularities were observed while reviewing the file:

i) Mr. Omer Saeed Malik, selected as CEO, was shortlisted in non-transparent manner, as the required experience was minimum 05 years at senior management level in the corporate sector. All the shortlisted candidates had more than 5 years-experience, however the selected CEO has only three-years' experience at Sr. Management level, and remaining experience was as consultant.

ii) The post of CEO was advertised 4th time. In first three advertisements required experience was mentioned as 15 years, 10 years and 08 years respectively. Every time candidates met the required criteria but they were not selected. The short listing and subsequently selection of less experienced candidate became possible only due to framing unjustified criteria i.e. 40% marks for qualification & experience and 60% marks for interview.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025 3:31:16 PM

iii) The selected CEO was MBA and B.Sc., Engineering to whom 20 marks were awarded, whereas candidate who was MBA, B.Sc., M.Sc., was also awarded 20 marks. Further a candidate FCMA/ACMA and BSc. was awarded only 18 marks.

iv) Experience published in advertisement was 5 years which was also in contravention to the SECP rules wherein minimum experience for the CEO required was 10 years.

v) As per advertisement, the contract period was for two years; however contract/ appointment letter was issued for three years.

Audit was of the view that the CEO was selected in non-transparent manner just only to favor already selected person on the cost of Public exchequer.

The matter was reported to the Management/Ministry on May 16, 2019.

The irregularity occurred due to weak internal control.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for appointing CEO having less required experience and signing of contract for three years instead of two years.

7.16.4.5 Irregular expenditure on NFC house and other allied expenditure - Rs 9.477 million

As per advertisement dated 28.12.2016, the required experience for the post of Chief Executive Officer, should be minimum 05 years at Sr. Management level in corporate sector, appointment shall be on contract for a period of 2 years, extendable subject to satisfactory performance, with lump sum pay of 400,000/- p.m., with facility of 1300 cc car with driver and medical facility.Section-4 of Public Sector Companies (Corporate Governance) Rules, 2013 states that 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. His responsibilities include making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025 3:31:6 PM

During audit of NFC HO, Lahore for the year 2017-18, it was noted that CEO was appointed on lump sum pay of Rs 400,000 with company maintained car and medical facility. However, in addition to that CEO availed company maintained 4 kanals NFC-House at 44-C Gulberg, Lahore without any terms of contract. Moreover, CEO was also enjoying the services of 6 employees (Guards, attendant, cook, gardener etc.) alongwith free utility bills of electricity, gas and water. In addition to that, the CEO had availed many other undue financial benefits like misuse of vehicles and entertainment facilities. Resultantly, a huge amount of Rs 9.477 million was paid during 2017-18 against the terms of contract.

The irregularity occurred due to weak internal control, as expenditure was irregular as incurred in violation of terms and conditions of appointment letter.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry and recovery of all money spent as irregular/undue payment made.

7.16.4.6 Interest loss due to imprudent investments - Rs 7.749 million

Clause 3 (b) of government of Pakistan Finance Division letter dated 2nd July, 2003 states the process of selection of bank /(s) should be transparent. Therefore, prior the placing deposits with a bank under this new policy, and in case the total working balances exceed Rs 10.00 million, the selection of the bank /(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks.

During the audit of the NFC Head Office for the year 2018-19, it was observed that the management invested huge funds in monthly TDRs at different interest rates. Audit has analyzed the investments and it was revealed that funds were invested in different banks on lower rates in a single month as compared to other banks. Audit has calculated that loss of Rs 7.749 million was sustained by NFC (**Annex-27**). Audit demanded the investment policy duly approved by BoD but nothing was provided.

Muhammad Imran Shahid
Asst Programer
Monday, 24 February 2025 3:31:6 PM

The irregularity occurred due to weak Financial, internal controls. Due care was not exercised and funds were invested at lower rates without any investment policy and departure from Finance Division instructions which resulted into loss of Rs 7.749 million to the organization.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for reasons of investment in monthly TDRs at lower rates in the same month.

7.16.4.7 Irregular/unjustified purchase of vehicles - Rs 7.082 million

As per Finance Division (Expenditure Wing) Office Memorandum dated 26-7-2017 regarding Austerity Measures, "there will be a complete ban on purchase of all types of vehicles both for current as well as development expenditure". 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 NFC HO, Lahore for the year 2017-18, it was observed that management procured three vehicles valuing Rs 7.082 million in violation of policy. Further there was no need/requirement of the NFC at present when most of the units of NFC had been denationalized. Log books of the vehicles were also not provided which indicate that these cars were mis-utilized.

The irregularity occurred due to weak administrative, internal control and management purchased the vehicles during ban period in violation of the Government instructions thus held irregular.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025 3:31:6 PM

Audit recommends corrective action besides conducting inquiry for procurement.

7.16.4.8 Irregular appointment and increase in salary of Chief Internal Auditor - Rs 4.763 million

As per rule 22(2) of Corporate Governance Rules 2013 "No person shall be appointed to the position of the chief internal auditor unless he is considered and approved as "fit and proper" for the position by the Audit Committee. 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 control auditor; or (e) person holding a master degree in finance from a university recognized by the Higher Education Commission. Further as per appointment letter dated April 13, 2017 Ms. Khadija Chaudhari was appointed for a period of two year. During the period of contract she will be paid a consolidated salary of Rs 175,000 per month (inclusive of all allowances/benefits).

During audit of NFC HO for the year 2017-18 it was observed that the management appointed Ms Khadija Chaudhari as Internal Auditor on April 13, 2017 at monthly payment of Rs 175,000. Further it was revealed that she did not possess required experience of 5 year as she passed her CA Examination in January 2014. Appointment was made in April 2017 which proved that she had only experience of 3 years. Further only after seven months, her pay was increased to Rs 200,000 per month on November 29, 2017 in violation of terms and condition of appointment letter. In addition to that an amount of Rs 138,000 was also paid to ICAP as annual subscription fee, directors training programme expense and subscription fees on behalf of the lady. Hence her appointment as well as payment of salary Rs 4.763 million from April 2017 to April 2019 was considered irregular.

Audit was of the view that appointment of Chief Internal Auditor was made in contravention of governance rules therefore considered irregular. Further enhancement of salary just after seven months without any tangible performance and in violation of terms and conditions of appointment letter was considered irregular/unjustified as well.

The matter was reported to the Management/Ministry on May 16, 2019.

The irregularity occurred due to weak internal control and made in contravention of Corporate Governance Rules.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for irregular appointment of Chief internal auditor and increase in salary.

7.16.4.9 Irregular grant of loans to contract employees and their non recovery - Rs 3.212 million

As per terms and conditions of appointment letters dated October 25, 2008 of three ex- employees of NFC (who opted Voluntary Retirements on the same date), they were not entitled to pension benefit, medical facilities, house building and land loan facilities during the period of contract employment.

During audit of the NFC Head Office, Lahore for the year 2017-18, it was noticed that three officers namely Mr Sagheer Khan, Mr Hassan Mehmood and Syed Mohtaram Shah had opted Voluntary Retirements in 2008. On the same date they were rehired on contract basis. Management of NFC violated terms and conditions of appointment and granted various advances (house building advance, motor car and house rent advance) amounting to Rs 3.212 million to them. On objections of internal auditors as well as by commercial auditors they had been relieved from services in November 2017 whereas advances granted irregularly could not be adjusted from the dues of the said employees nor had they been recovered so far. Further two vehicles purchased in the name of NFC remained in possession of two Ex-employees which were also not recovered from them at the time of final relieving.

The irregularity occurred due to weak administrative, internal control and three officers were obliged on the cost of public exchequer as they were at key posts at the time of termination.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Muhammad Imran Shahid Asstt Programmer Monday, 24 February, 2025, 3:31:6 PM

Audit recommends corrective action besides conducting inquiry for reasons regarding non recovery of advances from ex employees and fixing of responsibility.

7.16.4.10 Irregular expenditure of legal /professional charges - Rs 2.500 million

The Ministry of Law, Justice& Human Rights vide letter dated 3-6-2015 clarified to Corporation/authorities and Government Controlled organization that in case legal fee exceed Rs 300,000 approval of law Ministry should be sought before the payment made.

During audit of NFC HO for the year 2017-18 it was observed that the management hired the services of legal Advisors for dealing different cases in the Court of law. The management paid an amount of Rs 2.500 million but the necessary approval from Ministry of Law, Justice & Human Rights in case of legal fee exceeding Rs 300,000 was not obtained. Legal cases files were also not provided on demand.

The irregularity occurred due to weak internal control. The management spent huge amount without the approval of competent authority only to extend undue favor to a selected firms/advocates, thus held irregular in audit.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry into the reasons why the payment was made without the prior consent of Ministry of Law, Justice & Human rights.

7.16.4.11 Unauthorized appointment of external auditors - Rs 1.170 million

As per guidelines/letter dated January 02, 2002 issued by the Auditor General of Pakistan in accordance with the provisions of Section 15(1) of the Auditor General's (Functions, powers and terms and conditions of Service) Ordinance, 2001, the auditors should be appointed in consultation with Auditor General of Pakistan and rotated after every 5 years. Instructions were issued in compliance of Finance Division's letter dated March 25, 1981. Further as per rule

Muhammad Imran Shahid
Asst Programer
Monday, 24 February, 2025 3:31 PM

12 (i) of Public procurement Rules 2014 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 the audit of NFC HO, Lahore for the year 2017-18, it was observed that the management appointed external auditors for the years 2015-16 to 2017-18 without obtaining concurrence of the Auditor General of Pakistan as required under Finance Division's letter dated March 25, 1981. The volume of transactions of NFC Institute, Faisalabad is much more than NFC Head Office whereas they were paying Rs 125,000 per annum (instead of Rs 400,000 per annum) to the Auditors. The company paid an amount of Rs 1.170 million. Further, hiring files of external auditors were not provided on demand which indicated that hiring process of auditors was not made on transparent manner/without open competition. Audit, therefore, was of the view that payment made to the firm amounting to Rs 1.170 million was irregular. Appointment of external auditors was in violation of above instructions hence, the payment of audit fee was held irregular.

The irregularity occurred due to weak administrative, internal control as the hiring of firm was made in violation of guidelines issued by AGP and PPRA thus expenditure was held irregular.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for reasons regarding non compliance of Finance Division's, AGP's and PPRA's instructions.

7.16.4.12 Irregular retention/holding of position of independent directors of BoD in violation of Corporate Governance Rules

As per rule 5 (1) of Public Sector Companies (Corporate Governance Rules 2013, a director once appointed or elected shall hold office for a period of

Muhammad Imran Shahid
Asst Programer
Monday, 24 February, 2025, 3:31:6 PM

three years unless he resigns or is removed in accordance with provision of Companies Ordinance, 1984.

During audit of the NFC Head Office, Lahore for the year 2017-18, it was noticed that present BoD was constituted on February 12, 2015 with the approval of Prime Minister vide MOI&P Notification dated February 12, 2015. The Board constituted four independent Directors including Chairman. Despite expiry of their contract period on February 11, 2018 these four independent Directors are still holding the position in BoD of NFC. Detail is given below:

Sr #	Name of Directors	Designation
1	Prince Mohammad Isa Jan Baloch	Chairman BoD
2	Mr. Usman Ghani Khatri	Member BoD, Chairman Risk management Committee, Member human resource committee, Member Audit committee
3	Mr. Iftikhar Ahmad Jogezai	Member BoD, Chairman Audit Committee
4	Ch. Hamid Malhi	Member BoD, Chairman HR committee, Chairman Nomination committee

The irregularity occurred due to weak internal control and retention of above Directors on the positions of independent Directors in violation of Governance rules considered irregular.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for violation of Governance rules.

7.16.4.13 Non provision of record/documents/information

According to instructions of the Public Accounts Committee issued by National Assembly Secretariat to all the Principal Accounting Officer (PAO) Ministries/Divisions/Heads of Department vide OM dated 3rd June, 2004 "makes available all information/record to audit as and when required by them. Otherwise disciplinary action will be initiated against person (s) responsible for the delay under Section-14 (2) of the Auditor General's Ordinance No. XXIII of 2001".

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February 2025 3:31:6 PM

The management of NFC (HO), Lahore failed to provide necessary record/documents to the audit team in spite of written as well as repeated verbal requests for the year 2013-14 to 2017-18 **(Annex-28)**.

Non provision of auditable record to the audit team for audit purpose is a serious violation of the Auditor General's power/functions ordinance as well as the PAC directives.

The matter was reported to the Management/Ministry on May 16, 2019 but no reply was received so far.

The irregularity occurred due to weak internal control and non-provision of record at the time of audit in violation of standing instructions.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for non-provision of record to audit and fixing of responsibility.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

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

7.17.1 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.

7.17.2 Comments on Audited Accounts

7.17.2.1 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 2018-19 till December 31, 2019.

Audit recommends that the annual audited accounts of 2018-19 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(refer Annex-2).***

7.17.3 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
2015-16	01	01	0	-	100
Total	**05**	**04**	**01**		**80**

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

Muhammad Imran Shahid
Asst Programer
Monday, 24 February, 2025, 3:31:6 PM

7.17.4 Audit Paras

7.17.4.1 Irregular procurement of medicines in violation of PPRA rules - Rs 18.168 million

According to rule-12 of Public Procurement Rules 2009, all procurement opportunities over two million should be advertised on the Authority's website as well as in other print media or newspaper having wide circulation. The advertisement in the newspaper shall principally appear in at least two national dailies, one in English and other in Urdu.

During audit of NFC-IET, Multan for the years 2015-18, it was observed that the management allowed its employees to purchase the medicines from three stores namely Peer sons Medical Stores, Hameed Medical Hall and Tawakal Medical Store. These stores discounted 5% on medicines. On enquiry, it was noticed that the management selected these stores twelve years back and these medical stores have been providing medicines since then. Management paid a sum of Rs 18.168 million to medical stores contrary to the above-referred rule.

The irregularity occurred due to weak internal control. The management of IET should have floated tender for the purchase of medicines on yearly or on biannually basis and in this way better competitive rates for more discount could be found. The action of the management for non-entering in tendering process and relying on these medical stores since last many years is considered irregular.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for non-obtaining competitive rates as required in PPRA rules.

Muhammad Imran Shahid
Asst Programer
Monday, 24 February, 2025, 3:31:6 PM

7.17.4.2 Doubtful procurement of old books for libraries - Rs 7.289 million

As per letter dated 11.04.2019 issued by National History and Literary Heritage Division, the book seller/suppliers will supply original editions with following certificate duly signed by the bookseller on the bill:

"Certified that the prices charged are correct. If any discrepancy at any stage is found, we undertake to refund the excess payment made to us. It is further certified that the publications listed in the bill are original authorized editions/reprint and not pirated ones. It is further certified that the titles supplied are not remainders."

During the audit of NFC IET, Multan for the year 2018-19, it was observed that the management had procured a large number of technical books whose editions were more than ten years old. Audit analyzed for last three year purchases and found that books valuing Rs 7.289 million were procured having Print Editions on or before year 2007.

The irregularity occurred due to weak internal control and old/remainder books were procured without proper need assessment just to fulfill the PEC requirements. Procurement of remainder books in contravention to the instructions referred above, was held irregular in audit.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for procurements of books having Edition more than ten years old.

7.17.4.3 Irregular adjustment of sports funds without any sports activity - Rs 1.709 million

As per Rule 2A of Public Sector Companies (Corporate Governance) Rules, 2013, "For the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely: - (a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

Muhammad Imran Shahid
Asst Programer
Monday, 24 February, 2025, 3:31:6 PM

During audit of NFC IET, Multan for the year 2018-19, it was observed that the management had collected an amount of Rs 1.709 million as Sports Funds from the students during 2018-19. Management had claimed in its Prospectus for 2018-19 that annual sports were arranged by sports committee, which comprised executives and senior students. Various indoor games are played under friendly environments. Sports prizes were announced and distributed on annual student's function.

Audit demanded information regarding number of sports events conducted alongwith complete files and breakup of expenditure incurred vide requisition No 2 dated October 15, 2019 followed by reminder dated October 31, 2019 but same was not provided till close of audit although management had booked adjustment entries against the funds collected.

The irregularity occurred due to weak internal control, due care was not exercised as the sports funds collected from the students must be utilized on sports activities. Thus adjustment of sports funds other than sports activities was held irregular in audit.

The matter was reported to the management/Ministry on March 12, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry of the adjustments / utilization of Sports Funds in activities other than sports.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.18 NFC Institute of Engineering and Fertilizer Research Faisalabad

7.18.1 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.

7.18.2 Comments on Audited Accounts:

7.18.2.1 The working results of the Institute for the year 2018-19 as compared to previous years are as under:

(Rs in million)

	2018-19	%Inc/ (Dec)	2017-18	%Inc/ (Dec)	2016-17
Income					
Tuition fee	336.799	1.72	331.100	6.69	310.350
Research income	3.854	(12.61)	4.410	34.18	3.290
Other income	33.033	58.36	20.860	37.65	15.160
Total	**373.686**	**4.86**	**356.370**	**8.39**	**328.790**
Expenses					
Teaching expenses	238.314	4.68	227.650	9.86	207.220
Research and development	18.172	8.30	16.780	7.55	15.610
Administrative expenses	108.494	20.25	90.220	13.29	79.640
Total	**364.980**	**9.06**	**334.650**	**10.64**	**302.460**
Profit before taxation	**8.706**	(59.94)	**21.730**	**-17.48**	**26.330**

(Source: Annual Audited Accounts)

The income of the Institute increased by 4.86 % in 2018-19 as compared to previous year whereas the total expenditure increased by 9.06% in 2018-19 as compared to 2017-18. Administrative expenses have increased by 20.25% in 2018-19. The disproportionate increase in expenditure as compared to income resulted in reduction of profit before tax from Rs 21.730 million in 2017-18 to Rs 8.706 million in 2017-18 registering a decrease of 59.94% in 2018-19 over previous year. The expenses of the Institute particularly the administrative expenses, need to be controlled.

7.18.2.2 There is a negative cash generation of Rs 43.635 million from operating activities which shows that operations of the institute are not generating cash and management is using investment income to meet its operational expenditure. Management is stressed upon to increase its cash flow from operations.

7.18.2.3 The Institute had been maintaining employees provident fund trust having total balance of Rs 146.406 million. The accounts of said trust have not been audited for the year 2018-19 which needs to be justified. Complete breakup of expenditure and investments made out of trust funds along with annual audited accounts may be provided to audit.

7.18.2.4 Advances given to employees for official purpose were Rs 1.200 million in 2017-18. No adjustment/ movement in this head of account was noted and balance was Rs 1.200 million in 2018-19. Reasons of non-adjustment for last two years may be explained.

7.18.2.5 The Institute had established specific purpose funds namely Endowment Fund and Development Fund amounting to Rs 95 million and 904.900 million respectively in order to commence Chemical Degree Classes in 1996. Institute had been investing these funds over the years and income has been utilized not only for chemical engineering degree but also for other degree programs which needs explanation and specific approval of BoD.

7.18.3 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
2015-16	01	0	01	8.25.4.1	0
Total	**10**	**6**	**4**		**60**

The compliance of the PAC directives was not satisfactory which need immediate attention of the PAO.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025 3:31:6 PM

7.18.4 Audit Paras

7.18.4.1 Irregular investment without investment policy - Rs 371.00 million

Clause 3 (b) of Government of Pakistan Finance Division letter dated July 02, 2003 states that the process of selection of bank /(s) should be transparent. Therefore, poroor the placing deposits with a bank under this new policy, and in case the total working balances exceed Rs 10.00 million, the selection of the bank /(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks.

According to Finance Division letter dated Sep 5, 1982, the funds provided, acquired or generated by autonomous/semiautonomous 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 strictly in accordance with prescribed rules.

During audit of NFC Faisalabad for the year 2018-19 it was observed that management deposited its funds with different banks on different interest rates without any competitive bidding. Scrutiny of relevant files revealed that huge funds were placed in banks without any investment policy duly approved by BoD. An amount of Rs 371.00 million was invested in short term basis in violation of the above rule.

The irregularity occurred due to weak internal control. Thus, investment of Rs 371.00 million was held irregular in audit.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for investments without any investment policy and open bidding through press.

7.18.4.2 Irregular and non-transparent procurement in violation of PP rules - Rs 29.911 million

As per rule 12(2) all procurements over two million rupees should be on the authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspaper shall principally appear in at least two national dailies on in English and the other in Urdu. Further as per rule 12(3) in case where the procuring agency has its own website it may also post all advertisements on that website as well. As per PP rules 2004, clause 4 procuring agencies while engaging in procurement, shall ensure that the procurement are conducted in fair and transparent manner, the object of the procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of NFC IEFR, Faisalabad for the year 2017-18, it was observed that management purchased various items valuing Rs 29.911 million (Rs 10.835 million+12.97 million+6.106 million in 2014-15, 2015-16 & 2016-17 respectively) without advertising the requirement on Institutes' own web site. Further advertisement was given in single newspaper instead of two national dailies. Moreover, management advertised the procurement by mentioning only the name of the indenting departments, instead of mentioning the description of required items. Resultantly, management faced no/less response of suppliers, which resulted into weak/non healthy competition and zero procurement in the year 2017-18.

The irregularity occurred due to weak internal control.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for advertising in one newspaper and without the mentioning the description.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.18.4.3 Irregular/non-transparent appointment of Lecturers - Rs 23.907 million

According to Para No XV of Establishment Division Memorandum dated Oct 22, 2014, administrative Ministries/Division shall ensure merit and transparency in the recruitment process at all levels. NOC from the surplus pool of Establishment Division shall continue to be obtained for all recruitment. It was also required to finalize the recruitment within 60 days from the date of advertisement. Further, the above guidelines have been issued in order to ensure merit based recruitment in the Ministries/ Divisions/ subordinate offices/ Autonomous, Semi-Autonomous bodies/ Corporation/ Companies/ Authorities.

During audit of NFC-IEFR, Faisalabad for the year 2017-18, it was observed that management appointed sixteen Lectures/Assistant Managers during the year 2016-18. Neither the management obtained NOC from Establishment Division nor ensured merit and transparency as the management took 120 days for finalization of the recruitment process instead of within 60 day. Further stated that the recruitment and personal files were demanded from management to ensure merit and transparency but same was not provided till the close of audit.

The irregularity occurred due to weak internal control i.e. the recruitment was made in violation of government instruction. Thus, appointment as well as pay of employees Rs 23.907 million was considered as non-transparent and irregular.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for reason(s) for irregular appointment in violation of rules besides fixing responsibility.

7.18.4.4 Appointment of employees without verification of degrees/certificates - Rs 21.359 million

As per rule 5.3 of management manual of NFC, all appointments in the corporation shall be subject to verification of personal data of the Executives

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 8:31:6 PM

prior to or after the appointment. As per Establishment Division (Management Services Wing), Islamabad OM dated 08.03.2011, it will be the responsibility of concerned secretary & Head of the department/ organization to have the degrees / certificates verified. They should satisfy themselves about the genuineness of degrees/ certificates which are required for the post as per rules. Any foreign degree/ diploma should be got verified from HEC.

During audit of NFC, IE & FR, Faisalabad for the year 2017-18, it was observed that the management appointed 28 contract employees for different posts during last three years. Degrees/certificates and experience certificates of 28 employees were not got verified inviolation of Government as well as NFC's instructions. Moreover degrees/certificates/characters of 33 employees recruited through third party contractor during 2012 to 2018 were also not get verified despite lapse of six years. Therefore, violation of the government standing instructions was also made in this regard.

The irregularity occurred due to weak internal control, the appointment as well as pay of Rs 21.359 million upto 30.06.2018 of 61 employees without verification of degrees in violation of the government standing instructions was considered irregular.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for reasons for non-verification of degrees/ certificates of employees.

7.18.4.5 Irregular payment of property tax and non-creation of contingent liabilities in the books of accounts - Rs 19.216 million

As per Section 4(d) of the Urban Immovable Property Tax Act 1958, "building and lands for portions there of used exclusively for educational purposes schools, boarding, houses and hostels owned by government or by a body owned or controlled by the government are exempted from property tax". Further as per IAS 37 contingent liabilities or possible obligation whose existence will be confirmed by uncertain future events that are not wholly within the control of entity, a contingent liability is disclosed in the books of accounts in proper manner at the end of notes of accounts.

During audit of NFC IEFR, Faisalabad for the year 2017-18, it was revealed that management of Institute was paying property tax regularly to the Excise & Taxation Department since inception to 2016 in violation of Section 4(d) of the Urban Immovable Property Tax Act 1958. After that period, the management of Institute stopped the practice. In response Institute received a property tax show cause notice on 17.03.2016 from Excise and Taxation Department. Institute lodged a writ petition in the honorable Lahore High Court, Lahore. Institute received another property tax notice for Rs 19.216 million in January 2019. Exact amount paid in this regard before 2017 was not made known to audit on the plea that management had no such working/calculation in this regard. Further as per IAS, the provision for expected expenses was required to be made every year in the books of accounts, which has not been done.

The irregularity occurred due to weak internal control.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry and non creation of provision of payments in the books of accounts.

7.18.4.6 Irregular appointment of HOD (civil deptt) in violation of HEC criteria/open merit policy - Rs 15.886 million

As per HEC recruitment policy, the criteria for appointment of Associate Professor was PhD in the relevant field from an institution recognized by HEC in consultation with PEC, plus 7 years teaching/research experience. Further, as per judgment of Supreme Court of Pakistan dated January 19, 1993 in human right case No. 104 of 1992, recruitment, both adhoc and regular, without publicly and properly advertising the vacancies is violation of fundamental rights. As per rule 5.1 of management manual of NFC, "the acts and omissions constituting misconduct on the commission of which the executives are liable for punishment including dismissal from service shall be prescribed from time to time and shall include any act or omission which may be found prejudicial to the Corporation's interest and subversive to discipline".

During audit of NFC, IE & FR, Faisalabad for the year 2017-18, it was observed that management hired the services of Dr. Saqib Ehsan, as Associate Professor (G-V) in Civil Engineering Department in October 2010. Appointment was made without advertisement/open competition in disregard to Supreme Court judgment dated January 19, 1993. Furthermore, contrary to the criteria of HEC professional experience of the employee was only 5 years instead of 7 years at the time of appointment. Moreover, a number of enquires were conducted against the officer concerned regarding malpractices in conducting of examination, amendment in the results and in financial matters from December 2015 to January 2018. Allegations were proven and enquiry officer recommended withholding of increment, demotion from the present grade and termination/removal from services. Despite recommendation of disciplinary/strict action proposed by the Enquiry Officer, competent authority continued to extend favor to the officer and the officer was promoted to Professor (Head of Department).

The irregularity occurred due to weak internal control, appointment as well as payment of Rs 15.886 million as salary from October 2010 to June 2019 was held irregular.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for irregular appointment and lack of disciplinary action despite findings of enquiry officers at ministry.

7.18.4.7 Wasteful expenditure due to irregular continuation of suspension period of officers - Rs 7.217 million

As per rule 5(1) of the Government Servants (Efficiency and Discipline) Rules, 1973 provides that in a case where a government servant is accused of subversion, corruption or misconduct, the authorized officer may require him to proceed on leave or, with the approval of the authority, suspend him, provided

Muhammad Imran Shahid Asst Programmer Monday, 24 February 2025, 3:31:6 PM

that any continuation of such leave or suspension shall require approval of the authority after every 3 months. As per delegation of powers, Secretary is Authority/Authorized Officer for granting extension in suspension period for Government Servants (BPS- 17 to BPS-20). As per rule 55 of Financial Rules, leave may not be granted to a Government servant under suspension.

During audit of NFC, IE & FR, Faisalabad for the year 2017-18, it was observed that management of Institute suspended three officers namely (i) Dr Shahid Raza Malik, Acting Director (ii) Dr Saqib Ehsan, HOD Civil Department, and (iii) Mr. Muhammad Sultan, Manager Accounts vide office order dated December 18, 2017. Orders were issued for their arrest by Federal Investigation Agency on account of corruption charges in the civil work at IEFR, Faisalabad. The case was lodged by Mr Saleem ul Jabbar Khan, contractor. The officers were arrested on December 16, 2017 and bailed out in February 2018. Further records revealed that suspension period of the officers was neither extended by competent authority after expiry of suspension period of three months (i.e. on March 15, 2018) nor uptill the close of audit (i.e. April 5, 2019). Further the accused officers were neither attending office nor on leave, whereas monthly pay and allowances amounting to Rs 610,436 were being paid by the Institute to them regularly. Resultantly Institute had to face extra burden of Rs 7.217 million from March 2018 to March 2019. Management neither finalized departmental enquiry nor recovered proven embezzled amounts from the concerned officers so far.

The irregularity occurred due to weak internal control, the management willfully lingering the cases and not obtaining approval of extension in suspension period from competent authority. Resultantly pay and allowances amounting to Rs 7.217 million went wasted.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry for non-obtaining approval of suspension period from competent authority.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:31:6 PM

7.18.4.8 Irregular reappointment of employees on higher grade - Rs 6.640 million

As per rule 7.4 of management manual of NFC, all appointments against created posts shall be made through properly constituted selection committees. A vacancy in the higher grade shall normally be filled in by departmental promotion taking merit, seniority, suitability and experience duly into consideration. Further, as per judgment of Supreme Court of Pakistan dated January 19, 1993 in Human Right Case # 104 of 1992, recruitment, both adhoc and regular, without publicly and properly advertising the vacancies is violation of fundamental rules. As such no post could be filled in without proper advertisement, even on adhoc or contract basis.

During audit of NFC, IE & FR, Faisalabad for the year 2017-18, it was observed that management of Institute reappointed 5 employees to higher grade/posts during the period from August 2016 to March 2017. Further it was revealed that reappointment was made without approval of constituted selection committee. Further appointments were made on simple applications of candidates which indicated that it was done on pick and choose basis without open competition in violation of rules as well as order of Supreme Court of Pakistan.

The irregularity occurred due to weak internal control, the action of the management for rehiring of the employees by ignoring the Supreme Court's directives and without approvals of constituted selection committees is considered irregular and non transparent. Thus salaries and allowances amounting to Rs 6.640 million paid to five employees also considered irregular.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry into the recruitment of employees in violation of NFC manual and Supreme Court's orders.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:31:6 PM

7.18.4.9 *Irregular / non-transparent contract appointment without advertisement - Rs 3.367 million*

As per judgment of Supreme Court of Pakistan dated January 19, 1993 in human right case No. 104 of 1992, recruitment, both adhoc and regular, without publically and properly advertising the vacancies is violation of fundamental rights. As such no post could be filled without proper advertisement, even on adhoc or contract basis.

During audit of NFC, IE & FR, Faisalabad for the year 2017-18, it was observed that management of Institute appointed six employees on contract basis without advertising the posts during 2016-17 to 2017-18. Thus salaries and allowances amounting to Rs 3.367 million paid to employees upto March 31, 2019 considered irregular.

The irregularity occurred due to weak internal control, the action of the management for hiring of the employees by ignoring the Supreme Court's directives, was considered irregular and non transparent.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry the recruitment of employees in violation of Supreme Court's orders.

7.18.4.10 *Irregular purchase of vehicles - Rs 3.038 million*

As per Finance Division (Expenditure Wing) Office Memorandum dated 26.07.2017 regarding Austerity Measures, "there will be a complete ban on purchase of all types of vehicles both for current as well as development expenditures". 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.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February 2025 3:31:6 PM

During the audit of NFC, IE & FR, Faisalabad for the year 2017-18, it was observed that management procured two vehicles valuing Rs 3.038 million during ban period in violation of policy. Further as per log books record one vehicle (Toyota corolla GLI) valuing Rs 2.272 million remained at the disposal of NFC head office since its purchase which indicated that there was no need/requirement of the Institute.

The irregularity occurred due to weak internal control.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry and non compliance of Finance Division's instructions.

7.18.4.11 Loss due to non receipt of admission fee & training expenses from PSDF - Rs 2.666 million

As per clause 4 (3) of the 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 and these rules. 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 NFC IEFR, Faisalabad for the year 2017-18, it was observed that Institute was arranging different courses with the collaboration of Government donor agencies like PSDF NAVTTEC. For this purpose Institute had to affiliate with some National or International academic Institutes like City and Guild, Punjab Technical Board. Donor agencies were reimbursing to the Institute amounts of admission fees and training fees incurred by the Institute besides paying stipends to the students.

During 2016-17 four courses (three courses of Chemical Process and one course of Electrical) were executed with the collaboration of PSDF and affiliation

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:31:6 PM

with City & Guilds during 2016-17. Only two batches of Chemical Process could appear in the Exam conducted by the City & Guilds. Copies of MOUs signed with city and Guild and PSDF were demanded vide requisition No.04 & 11 but the same were not provided. However, as per verbal discussion it revealed that students of remaining two batches could not appear in the exam due to non-clearance of dues regarding examination fees and training expense from the PSDF for 1st and 2nd batches. Resultantly the amount of Rs 2.666 million spent on Ist two batches went wasted.

Moreover, stipend amount of Rs 127,000 of 2nd batch students, received by the Institute on June 07, 2018, was kept in personal account of Mr. Ghulam Ali and not paid to the students so far. This indicated that neither the stipend was paid to students except 1st batch nor they could appear in the examination.

The irregularity occurred due to weak internal control.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry and non recovery of dues from PSDF as per agreement/MOU.

7.18.4.12 Loss due to non-returning of Lecturer from foreign training - Rs 1.20 million

As per deed of agreement for undertaking PhD studies, "the scholar shall return to Pakistan immediately after the completion of the course for which she was sent abroad and shall serve NFC Institute of Engineering & Fertilizer Research Faisalabad for a period of five years. The scholar shall not extend the specified period of studies without prior approval of the NFC. Moreover if she fails to obey or act in accordance with institutions' order directing her to return to Pakistan, she will be liable to action under the acts/rules in force in Pakistan impounding or confiscating passports."

During the audit of NFC I&FR, Faisalabad for the year 2018-19, it was noticed that the Ms. Masooma Qizilbash, Lecturer chemical engineering department, was given ex-Pakistan leave from February 01, 2016 to January 31,

Muhammad Imran Sharif
Asst Programmer
Monday, 24 February, 2025 3:31:6 PM

2019 for PhD degree at University of Politecnicia Barcelona, Spain. The said lecturer has not joined back although a period of more than nine months has lapsed over and above the approved period of study. The management has written a number of letters to said lecturer but she has not joined till close of audit in Oct, 2019.

The irregularity occurred due to weak internal control, the management has not taken required action and very purpose of sending the lecturer was not achieved. Salaries paid to said lecturer during the study leave of 3 years amounting to Rs 1.20 million were held a wasteful expenditure in audit.

The matter was reported to the Management/Ministry on May 16, 2019.

DAC was convened on January 23 & 24, 2020. However, minutes of the DAC were awaited till finalization of the report.

Audit recommends corrective action besides conducting inquiry of the over-stay without any administrative approval / disciplinary and recovery thereof.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.19 National Fertilizer Marketing Limited

7.19.1 Introduction

National Fertilizer Marketing Limited (NFML) is a subsidiary of National Fertilizer Corporation of Pakistan (Pvt.) Limited (NFC). It was incorporated in 1976 under Companies Ordinance 1984 (now Companies Act 2017).The principal activity of the Company is marketing and sale of fertilizer purchased from local manufacturers and imported urea through Trading Corporation of Pakistan (Pvt.) Limited.

7.19.2 Comments on Audited Accounts

7.19.2.1 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 2018-19 till December 31, 2019.

Audit recommends that the annual audited accounts of 2018-19 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(refer Annex-2).***

7.19.2.2 The working results of the National Fertilizer Marketing Limited (NFML) 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
Sales	3,192.855	26.76	2,518.847	(51.11)	5,152.210
Cost of sales	3,127.459	26.54	2,471.598	(51.52)	5,097.962
Gross profit	65.396	38.41	47.249	(12.90)	54.248
Operating expenses					
Administrative expenses	259.645	1.31	256.284	-	-
Selling and distribution expenses	2.627	(76.12)	11.000	(96.39)	304.476
Storage expenses	148.028	(41.03)	251.011	(6.33)	267.972
Operating Loss	**(344.903)**	**(26.78)**	**471.047**	**(9.10)**	**518.201**
Other income	255.006	94.79	130.910	(39.46)	216.222
Loss before taxation	89.897	(73.57)	340.137	(12.64)	301.979
Taxation	368.073	-	-	-	359.510
Loss after taxation	(457.970)	34.64	(340.138)	(48.47)	(660.073)

(Source: Annual Audited Accounts)

Muhammad Imran Shahid Asst Programmer Monday, 24 February 2025, 3:31 PM

The organization sustained a loss after taxation of Rs 660.073 million, Rs 340.138 million and Rs 457.97 million in 2015-16, 2016-17 and 2017-18 respectively. The accumulative loss of the company stood at Rs 1,220.619 million as on June 30, 2018. The operation of the company during the years 2016-17 & 2017-18 remained static as no import of Urea was made by the Federal Government. In the absence of any business activity the existence of the company is questionable.

7.19.2.3 Included in the current liabilities is an amount of Rs 3.017 billion payable to Trading Corporation of Pakistan (TCP) which remained unconfirmed and un-reconciled in current and prior years. Reasons for the non-reconciliation of account since long need to be explained.

7.19.2.4 An amount of Rs 1,555.00 million was receivable from carriage contractors and store in charge since 2014-15 and cases were pending in NAB and FIA. No provision in the accounts was made in compliance with International Accounting Standards (IAS). The financial statements to the extent of above amount are overstated and reasons for non-provision need to be explained.

7.19.2.5 An amount of Rs 217.912 million is receivable from ex-associates i.e (HPFL & PAFL) since 2007. Both the companies were privatized in 2007 and same is receivable but no provision for bad debts was made in the accounts. The financial statements to the extent of above amount are overstated. Reasons for non-provision need to be explained.

7.19.2.6 An amount of Rs 27.018 million was receivable on account of credit sales against the company policy whereby sales were to be made against advance payment. Reasons for credit sale in violation of company's policy need to be explained.

7.19.2.7 Fixed assets worth Rs 152.748 million were neither tagged nor verified by the independent agency hence its existence seems to be doubtful. Non verification of Fixed Assets along with not tagging needs to be explained.

7.19.2.8 As per rule (6) (4) of Code of Corporate Governance Rules, BoD shall meet once in a quarter in every financial year. During the last three years (2015-19) only 5 BoD meetings were held against the minim of 12 meetings which needs to be explained.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025 3:31:6 PM

7.19.2.9 According to clause 236 (H) of the Income Tax Ordinance 2001 every manufacturer, distributor, dealer shall collect advance payment at the specified rates from retailers which will be adjustable against the final tax liability. An amount of Rs 63.483 million is still receivable / adjustable as on June 30, 2018 which needs to be explained.

7.19.2.10 An amount of Rs 3.730 million is receivable from Utility Stores Corporation (USC) on account of supplies since 2006 but neither any recovery has been made nor any provision has been made in the accounts which needs to be explained.

7.19.2.11 The company failed to appoint Chief Internal Auditor (CIA) in compliance of Code of Corporate Governance Rule. Non-compliance of Code of Corporate Governance Rule needs to be explained.

7.19.2.12 The accumulated loss of the company as on June 30, 2019 stood Rs 1,500 million and the existence of the company as going concern seems to be doubtful especially with very limited scope of work for just 20 to 25 days. Rationalization of the human resource needs to be examined to avoid further loss to the company.

7.19.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of compliance
1998-99	07	06	01	225	86
2003-04	04	02	02	117,119.5	50
2009-10	05	01	04	139,140,141,142	20
2010-11	11	09	02	11.14.4.1,11.14.4.2	82
2013-14	01	0	01	Annexure-2	0
2015-16	06	0	06	8.23.4.1,8.23.4.2,8.23.4.3 ,8.23.4.4,8.23.4.5,8.23.3	0
Total	**34**	**18**	**16**		**53**

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

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.19.4 Audit Paras

7.19.4.1 Irregular placement of TDRs in violation of Finance Division's instructions - Rs 8,060.903 million

Finance Division Memorandum Sr. No. 3(b) dated July 02, 2013 states that the process of selection of bank/(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs 10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors on the basis of competitive bids from at least three independent banks. Further, before making any investment under this policy, it would be necessary for public sector entities to set up an Investment Committee (IC) with defined investment approval authority. Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum.

During audit of National Fertilizer Marketing Limited (NFML), Lahore for the years 2015-16 to 2018-19, it was observed that the management invested Rs 8,060.903 million with various banks in Term Deposit in non-transparent manner in violation of Finance Division guidelines. NFML operates bank account with more than 19 various bank, while investing surplus funds, it was observed that Rs 8,060.903 million was invested/rollover in banks in shape of TDRs, but neither any Investment committee was formed nor the same was approved from BOD or any equivalent forum. Out of total investment, Rs 2,709.147 million and Rs 2,072.390 million were invested after obtaining rates from one or two banks respectively on pick and chose basis. For investment of Rs 709.232 million M/s Albaraka Bank quoted 8.40%, however funds were deposited with JS Bank @ 8.34% at lower rate, which caused loss of interest income and needs justification. JS Bank offer letter was not found attached with documents. Funds of Rs 500 million were invested with M/s JS bank @ 11.10% on April 29, 2019 by collecting single quotation. Rs 500 million also invested @ 11% on single quotation in violation of above rules. Rates were collected from the banks on different dates, which was non transparent. For 21 investments, while collecting the rates the major banks were ignored and rates were obtained from lesser ranking banks.

Audit was of the view that the whole process was irregular and against the Finance Division guidelines / instructions as neither the competitive rates were obtained nor approval for placement of funds was obtained from Investment committee or the BoDs.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

The irregularity was occurred due to poor financial management and weak internal controls, as well as non-compliance of corporate governance rules.

Audit recommends investigating the reasons for non-following the Finance Division instructions besides fixing responsibility.

7.19.4.2 Irregular appointment of 381 employees - Rs 1,385.26 million Accumulated loss sustained by NFML - Rs 1,555.276 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 National Fertilizer Marketing Limited (NFML) for the year 2016-19, it was observed that the organization sustained operational loss of Rs 518.201 million during the year 2015-16; Rs 471.047 million in 2016-17; Rs 344.903 million 2017-18 and Rs 325.694 million in 2018-19. The main reason for the loss was underutilization of the huge organizational setup and induction of 427 employees in December 2012 without any productive utilization. The management should curtail their expenditure within the approved limit of incidentals of Rs 50.00 per bag, however due to low volume of business and higher administrative cost including human resource and infrastructure cost the accumulated loss of the company rose.

During the financial year 2016-17 and 2017-18 no import of fertilizer was made as the domestic production of urea was sufficient to cater the local market

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

demand. After privatization of the producing units of NFC which is holding company of NFML in 2007, the management of NFML offered Voluntary Retirements Scheme (VRS) to the permanent employees and laid off 435 employees to reduce the financial burden of the company. However in 2012 the management again inducted 427 on contract and also hired 85 employees through third party contractor.

Further it was noticed that neither any record regarding advertisement process being followed was available in the relevant personal files nor any record exists in NFML HO to ensure the transparency in the selection of the newly appointed employees. In the absence of relevant record audit cannot verify whether transparent process was being followed in their recruitment. The available record at NFML head office shows that most of them have very average academic record and hardly pass academic session. Neither the list of employees applied and short listed was available nor was any short listing process made.

Audit was of the view that recruitment of contract staff, after the privatization of NFC units in 2007 when the role of the company is very limited, is considered hardly justifiable.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Audit requires fixing responsibility for the losses sustained by the company and appointment of contract staff in non-transparent manner.

7.19.4.3 Irregular payment of bonus/ ex-gratia to NFML regular and contract employees - Rs 148.225 million

According to Finance Division OM dated March 18, 2002, directed to corporations / autonomous bodies / semi autonomous bodies that the payment of bonus would be made on the following conditions:

i- Operational profit of the organization only excluding income from other sources;

ii- Payment of bonus would not be made as customary but it would be on the basis of profit earned and reflected in the annual accounts of the organization;

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

iii- No commitment of payment of bonus may be made during negotiations with the CBA because of the conditions mentioned above;

iv- Managing Director and members of the BOD will not be entitled to receive bonus.

According to Government of Pakistan Finance Division (Regulation Wing) O.M dated: May 31, 1980, concurrence of the Finance Division (Regulation Wing) is mandatory for the payment of bonus as certain autonomous bodies / semi-autonomous bodies / corporations are making payments of bonus on the assumption that this payment is customary and can be made with the approval of Board of Directors.

During audit of National Fertilizer Marketing Limited for the year 2018-19, it was found that management made payment of bonus amounting to Rs 148.225 million to its regular, contract and daily wages employees during last four years despite the fact that the company is running into heavy losses and without the concurrence of Finance Division.

Audit was of the view that payment of bonus was irregular.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Audit requires fixing responsibility for irregular payment of bonus besides recovery from the beneficiaries.

7.19.4.4 Unjustified payment to daily wages staff through third party contractor - Rs 127.723 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.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February 2025, 3:31:6 PM

During the audit of National Fertilizer Marketing Limited for the year 2016-2019 it was observed that the management of NFML hired the services of 85 employees on daily wages through third party contractor and paid an amount of Rs 127.723 million to the contractors during the period 2016 to 2019.

Audit was of the view that considering the limited scope of work the management should have rationalized their human resource requirement and either laid off the entire and unproductive labor or enforced the requirements of PPRA in true letter and spirit. The hiring of labor through third party by paying huge service charges considered irregular and unjustified.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Audit requires investigating the matter regarding retention of the same employee through different contractors and payment of exorbitant service charges Besides fixing responsibility.

7.19.4.5 Irregular procurement of T.W.P.P bags and non-forfeiture of bid security – Rs 93.316 million

Rule 40 of public procurement rules 2004 states that there shall be no negotiation with the bidder having submitted the lowest evaluated bid or with any other bidder. As per rules-04 of the Public Procurement Rules, 2004 "Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical".

During audit of National Fertilizer Marketing Limited for the year 2015-19 it was observed that the management floated tender documents for the procurement of 2,020,000 T.W.P.P bags on September 30, 2018. According to the comparative statement dated October 17, 2018 the rates of M/s Royal Poly Tex was lowest as Rs 41.60 per bag. The contractor also provided 5% bid money of Rs 4.50 million alongwith the bid for the entire quantity of 2,020,000 T.W.P.P to be supplied within stipulated time. The management of NFML, instead of placing the order with the successful bidder as per PP Rules, called the successful

Muhammad Imran Shahid Asst Programmer Monday, 24 February 2025 3:31:6 PM

Muhammad Imran Shahid Asst Programmer Monday, 24 February 2025 3:31:6 PM

bidder on 19th October 2018, and intimated about so called urgency. The owner of M/s Royal Poly Tex showed his inability to provide the required quantity as committed and it was decided by the management to distribute the original quantity amongst the all bidders in the following manner:

Name of party	Quantity distributed
M/s Royal Poly Tex (lowest bidder)	860,000
M/s Main Nazir& Sons	500,000
M/s Poly pack	660,000
Total	2,020,000

Audit was of the view that the action of the management is in violation of the procurement rules as successful supplier quoted the rates keeping in view all the terms and conditions as stipulated in the tender documents especially with respect to delivery period. When supplier showed his inability to provide the bags within scheduled time his security money amounting to Rs 4.50 million was required to be forfeited in line with the terms of tender documents.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

The irregularity was occurred due to weak internal control, resultantly procurement were made in violation of PPRA Rules.

Audit recommends investigating the reasons for violation of the procurement rules and negotiation with the successful bidder beside fixing responsibility on the persons held responsible.

7.19.4.6 Irregular procurement of PP Bags - Rs 80.398 million

Rule 40 of public procurement rules 2004 states that there shall be no negotiation with the bidder having submitted the lowest evaluated bid or with any other bidder. As per clause, 9 of PP Rules 2004 the 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.

During the audit of National Fertilizer Marketing Limited (NFML) for the year 2016-2019 it was observed that the commercial department of NFML head

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

office floated tenders in the national daily newspapers on May 12, 2019 for the procurement of 2.02 million TWPP bags duly inserted with PE liners for packing of imported urea. Nine parties purchased the tender documents out of which eight parties submitted their bids. Two parties were rejected on account of submission of cheques instead of demand draft. The bids were opened on 28 May 2019 by the company and only one party offered to supply the entire required quantity of 2.02 million bags @ Rs 40.15 per bag. Four parties out of six quoted the rate of Rs 39.80 per bag as detailed below:

S.No	Name of Bidder	Quantity offered	Rate per bag (Rs)
1	M/s Lahore polypropylene industries	1,010,000	39.80
2	M/s Royal Polytax industries	1,050,000	39.90
3	M/s Poly Pack	1,050,000	39.90
4	M/s MianNazir Sons	1,050,000	39.90
5	M/s Jallani Poly Industries	2,020,000	40.15

The management inserted a clause in the tender documents, where by the bidders may offer rates for at least 50% (minimum) of the tendered quantity, against the provision of clause 9 of the PP Rules where by any splitting or regrouping of the procurements so planned is strictly prohibited. Management issued purchase order for 1.010 million bags to M/s Jallani Poly Industries at the rate of Rs 39.80 per bag. For remaining quantity of 1.010 million bags the management of NFML issued purchase orders to the parties at 2, 3 and 4 equally at the same lowest price of Rs 39.80 per bag against the provision of clause of procurement rules.

Sr #	Name of Supplier	Quantity (Bags)	Rate (Rs)	Total procurement (Rs in million)
1	M/s Lahore polypropylene industries	10,10,000	39.80	40.198
2	M/s Royal Polytax industries	336,667	39.80	13.40
3	M/s Poly Pack	336,666	39.80	13.40
4	M/s Mian Nazir Sons	336,667	39.80	13.40
		2,020,000	**39.80**	**80.398**

The action of the management was against the provisions of the Public Procurement Rules and held as mis-procurement under clause 50 of the PP rules.

Muhammad Imran Shahid Asst Programer Monday, 24 February, 2025 3:31:6 PM

Audit was of the view that clause 3 of tender document was against the provisions and sprit of procurement rules and is thus considered as mis-procurement.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

The irregularity was occurred due to weak internal control resultantly non-compliance of procurement rules.

Audit recommends investigating the reasons for the violation of the procurement rules besides fixing responsibilities.

7.19.4.7 Irregular award of contract in non-transparent manner and loss due to irregular enhancement of transportation rates - Rs 55.00 million

As per rule-12(2) Public Procurement Rules, procurement 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. As per rule 42 (c) (iv) require that repeat orders not exceeding 15% of the original procurement providing that the agency shall specify appropriate for vested with necessary authority to declare an emergency.

As per contract clause 5(iii) of the contract executed between NFML (company) and NLC (contractor) whenever necessitated by circumstances and whenever deemed unavoidable, the company reserves its right to review the freight rates. The contractor however, shall have no right whatsoever, under any circumstance to demand / claim any revision in freight rates as agreed.

Ministry of Communication, Government of Pakistan issued notification on May 23, 2019 for implementation of axel lead regime implementation w.e.f June 1, 2019.

During the audit of National Fertilizer Marketing Limited (NFML) for the year 2016-2019 it was observed that the management of NFML executed an agreement with M/s NLC for the transportation of 100,000 M. Ton urea for Rabi 2018-2019 from Ex-Gwadar, Karachi & Bin Qasim ports for a period of six

Muhammad Imran Shahid
Asst Programer
Monday, 24 February, 2025, 3:31:c PM

months from 28-11-2018 to 27-5-2019. The Government further approved import of 100,000 M. Ton Urea for Kharif 2019 season in April 2019. The management of NFML instead of calling fresh tenders accepted the NLC offer to work with NFML for another period of six months from May 28, 2019 to November 27, 2019 on the existing terms and conditions. Formal agreement was signed between the two parties on May 15, 2019 for the transportation of Urea to upstream country.

The action of the management was against the provision of the Public Procurement Rules where the repeat contract can only be made up to 15% of the original quantity and held as mis-procurement under section 50 of Public Procurement Rules. Hence the contract with the NLC and payment of Rs 39.00 million was held irregular in audit. Furthermore the management of NLC demanded the increase in the freight rates due to implementation of the Axel load Regime whereas the same was announced on May 23, 2019 along with its implementation from July 1, 2019 which was after the contract had been finalized, hence the demand for the increase should have been rejected. As per clause 5(iii) of the contract executed between the parties, NLC, "shall have no right whatsoever, under any circumstance to demand / claim any revision in freight rates as agreed."

The management of NFML accepted the illegal and unlawful demand of the contractor and allowed an increase in the freight rates by 67% from the existing rates on all the routes. The increase in the freight cost resulted into extra payment of freight charges to the tune of Rs 16.00 million. (Original cost of transportation Rs 23.00 million less revised / increased cost Rs 39.00 million).

Audit was of the view that the action of the management regarding extension of the contract with the same quantity and further enhancement of the rates against the contract clause 5(iii) of the contract executed between NFML and NLC is irregular. A high level inquiry should be constituted investigate the matter and fix responsibility for the loss sustained in the shape of extra transportation charges by the company.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

The irregularity was occurred due to weak internal control and poor financial management, resultantly non adherence of PPRA rules.

Audit recommends investigating the matter regarding illegal extension of the contract besides fixing responsibility for loss of Rs 16.00 million due to abnormal increase in the freights. Moreover explain the reasons as why the matter was not taken up with the M/s NLC authorities regarding the issue of Axel load Regime and recover the extra payment made to NLC from NLC or person held responsible.

7.19.4.8 Irregular payment of pay & allowance to the ghost marketing officers - Rs 53.760 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 audit of National Fertilizer Marketing Limited (NFML), Lahore for the years 2015-16 to 2018-19 it was observed that 36 Marketing officers are on the strength of NFML out of which only 4 Marketing officers were posted at Head office and Six at Regional offices. The remaining 32 Marketing officers are working without any official address or place of duty. The Marketing officers do not have any permanent mailing address and are only contacted on mobile phones. The marketing officers are in the pay grade of Dy. Manager and Assistant Mangers and are highly paid without any specific assignment. The marketing officers are also free to do any private business as no specific targets in terms of sales were given to them.

During the last two years i.e 2016-2017 and 2017-2018 no import of urea was made and no business activity was made in the company. In the absence of any business activity the retention of and payment to marketing officers seems to be unjustified. Thus the payment of pay & allowance amount to Rs 53.760 million (approx.) during the years 2016-2019 is held irregular.

Muhammad Imran Shahid Asst Programer Monday, 24 February 2025, 3:31:6 PM

Audit was of the view that the due to limited operational requirement of the staff and huge operational loss the retention of the marketing officers needs to be reviewed and rationalized.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Audit requires investigating the matter and fixing responsibility for the retention of marketing officers without any contribution towards the profitability of the organization.

7.19.4.9 Loss due to retention of NFML funds by NAB - Rs 40.008 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 National Fertilizer Marketing Limited for the year 2016-2019, it was observed that NAB recovered an amount of Rs 160.033 million in different cases from various carriage contractors, but remitted an amount of Rs 120.025 million to NFML and retained an amount of Rs 40.008 million. The management of NFML instead of taking up the matter with the NAB authorities charged the said amount as expenses during the respective years.

Audit was of the view that since both the parties are Government organizations any deduction from their receipts is held irregular in audit. The management should take up the matter with Finance Division and adjust the said amount from the allocation of NAB in the annual budget.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

The irregularity was occurred due to weak internal control and non-adherence of corporate governance rules.

Audit recommends investigating reason for non-taken up the matter with the Ministry for the release of the retained funds by the NAB authorities besides fixing responsibility.

7.19.4.10 Non deposit of Tax at source within stipulated time and non-payment of additional tax – Rs 21.921 million

According to clause 183 of Income Tax Ordinance 2001 the paying authority shall deduct tax at source at applicable rates and deposit into Government treasury within seven days. Failure to do so will attract additional tax @ 24% for the delayed period.

During the audit of National Fertilizer Marketing Limited (NFML) for the year 2016-2019, it was observed that finance department of NFML failed to deposit tax deducted at source amounting to Rs 21.489 million into government treasury within seven days from the date of deduction as required under Section 183 of Income Tax Ordinance 2001. Resultantly, additional tax to the tune of Rs 431,737 was required to be recovered from the persons held responsible for the delayed payment of tax into government treasury.

Audit was of the view that the management should investigate the matter and recover the resultant tax from the persons held responsible and deposit into government treasury.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

The irregularity was occurred due to weak financial control and non-adherence of provision of Income Tax Ordinance.

Audit recommends investigating reasons for non-deposit of Tax within 7 days besides fixing responsibility.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.19.4.11 Non recovery of dues, HBA and HR advance from Ex. Acting General Manager - Rs 21.460 million

National Fertilizer Corporation (NFC) board of directors in its 132th meeting held 25-10-2017 decided to terminate the services of the officers who opted for Voluntary Retirement Services (VRS) in 2007 and are still working in the company and to recover the overpaid amount. NFC BoD in its 133rd meeting held on 25.11.2017 decided to recover the full amount latest by 27.11.2017 and in case they did not comply within 15 days, then legal action would taken or matter referred to NAB/ FIA for recovery of outstanding amount.

During the audit of National Fertilizer Marketing Limited for the year 2016-2019, it was observed that the service of Mr. Mehmood Asghar Qureshi, acting General Manager Finance, was terminated on November 6, 2017 on the directives of the Board as the officer had opted for VRS from National Fertilizer Corporation, the parent company of NFML, and after receiving settlement dues continued the working without practically any break in their employment or term of service without any service contract. The officer continued to receive Pay & Allowance during the period May 2007 to November 2017, when he was forcefully removed from the services by the company. National Fertilizer Corporation the holding company of NFML worked out an amount of Rs 19.884 million which is recoverable from the employee being illegal continuation of service after availing the VRS from the company. Furthermore amounts of Rs 854,126 and Rs 721,924 are receivable from the employee on account of house building loan and advance rent respectively. The employee was relieved from the company service on 09.11.2017 without adjusting / receiving the above outstanding amount. National Fertilizer Corporation vide their letter dated 4.12.2017 directed the ex-employee to deposit the outstanding amount into NFC account with in fifteen days otherwise legal action will be taken against you.

Audit was of the view that undue favour was extended to the ex-employee of the company at the cost of public exchequer.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:31:5 PM

Audit requires investigating the matter as to why the employee was allowed to continue service after opting VRS besides fixing responsibility.

7.19.4.12 Irregular and non-transparent hiring of Regional Office Lahore buildings - Rs 18.510 million

As per rule 12 (i) of Public Procurement Rules 2014 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

During the audit of National Fertilizer Marketing Limited (NFML) for the year 2015-2019, it was observed that the management of NFML hired various houses in Garden Town Lahore during the years 2015-2019 for their Regional Office. The houses were hired by the management of NFML in selective manner as neither the advertisement was uploaded on the PPRA web site nor circulated in the print media in line with the requirement of the Public Procurement Rules. All the houses were hired on pick and choose basis in violation of the provision of the procurement rules. Hence, the entire expenditure Rs 10.278 million incurred as held irregular and unjustified. Moreover, NFML also hired various houses for their Karachi Port Office in selective manner in violation of the Public Procurement Rules and an amount of Rs 8.232 million was also paid during the years 2015-2019 which was considered irregular.

Audit was of the view that undue favour was extended to the selected parties in violation of rules.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Audit requires investigate the reason for selective hiring of the regional office building besides fixing responsibility.

7.19.4.13 Non deduction of tax at source on POL, servant's pay and others - Rs 16.177 million

According to Section 12(2) (b) (c) and 13 of Income tax ordnance 2001 the term salary includes all the benefits perquisites allied with the salary.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

During the audit of National Fertilizer Marketing Limited for the year 2016-2019, it was observed that management allowed their General Managers and Senior Managers facility of POL, Driver Salary, payment in lieu of electric appliances and entertainment allowance as part of their pay and emoluments. The said allowances are part and parcel of the pay package and should have been paid along with monthly pay as per provision of section 12(2) (b) (c) and 13 of Income Tax Ordnance 2001.The above allowances were paid in cash on monthly basis and charged to expenses account by the management instead of including the same in their total taxable income for the purpose of calculation of tax payable. The action of the management seems to be for understating the tax liability of the senior officers which resulted into loss to the government exchequer. An amount of Rs 16.177 million was paid to the officers, which was not included in their salary and resulted into evasion of tax which is loss to government exchequer.

Audit was of the view that undue favour was extended to the employees of the company at the cost of public exchequer.

The matter was reported to the Management/Ministry on Dec 13, 2019 but no reply was received so far.

Audit requires investigating the matter regarding payment of cash to the employees instead of inclusion of the same in their taxable income besides fixing responsibility.

7.19.4.14 Excess payment to the employee on option of VRS Scheme and gratuity - Rs 4.095 million

Irregular payment of VRS scheme to the employee after 7 years of introduction of VRS Scheme - Rs 8.085 million

As per NFC (HO) letter dated April 20, 2018 "in pursuance of the clarification of Finance Division regarding treatment of adhoc Allowance-2010 and adhoc Relief Allowance-2016 as part of basic pay may be stopped with immediate effect". As per clause 4 (3) of the 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 and these rules. His responsibilities include implementation of strategies and policies

Muhammad Imran Sharif Asst Programmer Monday, 24 February, 2025 3:31:6 PM

Muhammad Imran Sharif Asst Programmer Monday, 24 February, 2025 3:31:6 PM

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 National Fertilizer Marketing Limited (NFML), Lahore for the years 2015-16 to 2018-19 it was observed that NFML paid Rs 8.085 million to Mr. Muhammad Tariq Saeed Ex- Deputy Manager under Voluntary Retirement Scheme (VRS) in May 31, 2015. The VRS benefits were calculated after inclusion of adhoc allowances with basic pay, resultantly he was paid excess amount of Rs 3.487 million.

NFML introduced Voluntary Retirement Scheme (VRS) in 2007 due to closure of NFC units. In 2012 & 2013 due to import of Urea, NFML appointed 427 employees on contract in addition to 85 employees hired through 3rd party contractor. In such scenario payment of Rs 8.085 million under VRS scheme was not justified. In addition to VRS benefits, he was also paid Rs 608,020 for gratuity, which was not included in VRS scheme. Hence the employee was paid excess amount of Rs 4.095 million (3.487 million + 0.608 million gratuity).

Audit was of the view that excess payment of VRS benefits was irregular and required to be recovered from the person concerned.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Audit requires investigating the matters for payment to the employee's contribution by the management besides fixing responsibility.

7.19.4.15 Irregular payment of pays & allowances to the idle staff posted at Gwadar port - Rs 4.314 million

According to Rule (5) (a) 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 National Fertilizer Marketing Limited (NFML) for the year 2015-2019, it was observed that the management of NFML hired the services of two employees for their Karachi port office as Assistant Distribution on December 19, 2011. The employees were subsequently posted in their Gwadar port office. It was revealed that the last consignment of imported Urea was birthed at Gwadar (JIA RUN) on October 1, 2015, since then no consignment was birthed at Gwadar till the close of audit i.e November, 2019. The Gwadar port operation is a seasonal operation of 20 to 25 days and no office of NFML exists there. The retention of the permanent staff without any output is held irregular and unjustified. Futher, it was observed that no attendance was marked by the above named employees and that they are allowed to receive pays & allowances in their native towns without doing anything for the company. The personal files of the employees did not contain any documents about their selection and transparent appointment.

Audit was of the view that undue favour was extended to the employees of the company at the cost of public exchequer.

The matter was reported to the Management/Ministry on Dec 13, 2019 but no reply was received so far.

Audit requires investigating the matter regarding retention of staff without any job description besides fixing responsibility and recovery.

7.19.4.16 Loss to the farmers due to less receipt of imported urea - Rs 3.484 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 audit of National Fertilizer Marketing Limited (NFML), Port Office Karachi for the years 2015-16 to 2018-19, it was observed that 52,476.5 M. Ton quantity was received by NFML from TCP by JIA Run Vessels at FAP

Muhammad Imran Shahid Asstt Programmer Monday, 24 February, 2025 3:31:16 PM

Port Qasim during the period of Sep 2015 to Feb 2016. Received quantity was dispatched to different stores through 1024 STN/Vehicles. Out of 1024 STNs 88 STNs/vehicles were selected as sample and weight was checked from computerized weigh slips. Out of 88 STNs only 17 vehicles have excess weight than required quantity; however 71 vehicles received less quantity, resultantly NFML received less quantity of 4375 Kg as detailed below:

Sr No	Nos of STN	Quantity received	Quantity required	Quantity Less /(Excess)	%age Less /excess Qty
1	2	3	4	5 =4-3	6 =5/4
1	71	1,923,970	1,928,769	4799	0.2488
2	17	443,750	443,326	(424)	0.0956
Total	**88**	**2,367,720**	**2,372,095**	**4375**	**0.1844**

Had this 0.1844% shortage of less urea receipt applied to the whole quantity received through JIA RUN vessels, total shortage will come to 96,766.66 kg = {(52476500 * 0.1844)/100} valuing Rs 3,483,600 {(96,766.66 kg/50) * 1800 cost per bag}. This was also supported by the fact that NFML dispatched 1399 TWPP bags to TCP without any agreement. Furthermore, six others vessels also received by NFML, but computerized weight slips were not provided to audit.

Audit was of the view that the less receipt of urea showed the negligence on the part of staff deputed at Port Office, Karachi and team sent from head office as well. Moreover, non-availability/provision of computerized weigh slips creates doubt on the whole process of purchase.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

The irregularity was occurred due to weak internal control and non-compliance of corporate governance rules.

Audit recommends investigating the matter and to state the reasons for less receipt of quantity besides fixing responsibility.

Muhammad Umar Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.19.4.17 Irregular appointment of legal advisors/consultants - Rs 3.477 million

Ministry of Law Justice and Human Rights vides O.M dated Nov 22, 2004 clarified that no Legal Advisor, Advocate or Consultant shall be appointed or engaged by the department, in future, without the prior approval of the Ministry of Law, Justice and Human Rights. The Law Division vide letter dated 08.12.2004 clarified that policy instructions contained in the circular letter of Nov 22, 2004 are applicable to all Corporations/ Authorities and Government controlled Organizations and no Organization whether working under the Companies ordinance or otherwise is exempt from new policy.

During the audit of National Fertilizer Marketing Limited (NFML) for the year 2016-2019 it was observed that the management of NFML hired the services of 8 legal advisors without the prior approval of the Ministry of Law, Justice and Human Rights. The company paid Rs 3.477 million to them during the years 2015-2019 which was considered irregular.

Audit was of the view that undue favour was extended to some advocates by appointing them without the orders of competent authority.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Audit requires fixing responsibility besides recovery.

7.19.4.18 Irregular and excess payment of leave encashment in violation of NFC Service Rules - Rs 2.528 million

As per NFC (HO) letter dated April 20, 2018 "in pursuance of the clarification of Finance Division regarding treatment of adhoc Allowance-2010 and adhoc Relief Allowance-2016 as part of basic pay may be stopped with immediate effect".

During audit of NFML, Head Office for the years 2016-19, it was observed that Leave encashment was required to be calculated on the basic pay of the respective employees. Contrary to the above the management of NFML paid Rs 9.832 million for leave encashment after including different adhoc allowances

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

etc. instead of paying Rs 7.304 million on basic pay. Resultantly additional payment of Rs 2.528 million (34.61%) was made to the company employees as **(Annex-29).** Moreover, Leave Fair Assistance (LFA) Rs 10.135 million, Rest & Recreation Allowance (R & RA) Rs 2.476 million, full & final settlement Rs 3.626 million and were paid to various employees after inclusion of adhoc allowances along with basic pay, without any provision in the rules.

The matter was also referred to NFC and it was clarified by the holding company that adhoc allowances will not be included in the basic pay while calculating the above payments.

Audit was of the view that without any notification/instructions inclusion of adhoc allowance as basic pay for payment of leave encashment, LFA, retirement benefits and etc. was considered irregular.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Audit requires investigating the matter for inclusion of Adhoc allowance while making payment of leave encashment, LFA, retirement benefits, and long-service award besides fixing responsibility and recovery of the amount.

7.19.4.19 Irregular appointment of Assistant Manager and irregular grant of eight advance increments - Rs 2.175 million

As per advertisement published in the print media on September 24, 2017 the minimum qualification for the post of Assistant Manager Accounts was M.Com with minimum 2-3 years post qualification experience.

During audit of National Fertilizer Marketing Limited (NFML), Lahore for the years 2015-16 to 2018-19, it was observed that NFC head office appointed Mr. Nasif Ali Naik as Assistant Manager Accounts on January 25, 2018 only B.Com with no experience as against the minimum required qualification of M.Com with minimum 2-3 years post qualification experience. The employee was required to join on or before Feb. 9, 2018 but he joined the service on March 13, 2018 when the offer letter of NFC stands expired.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February 2025, 3:31:6 PM

According to the appointment letter dated January 25, 2018 the basic pay of the officer was 24655-1900-62655 in Grade (GIII) as per their appointment letter whereas he was awarded eight (8) advance increments having a financial impact of Rs 15,200 (8*1900) per month which worked out to 62% of their initial basic pay. His basic pay at the time of appointment was fixed at Rs 39,855 per month. The employee was subsequently confirmed in NFC service on October 26, 2018. Several other employees, appointed alongwith Mr. Nasif Ali Naik at the same time, are still on the contract whereas the services of the said officer were confirmed as well as he was awarded eight advance increments in violation of principle of equality. Thus, Rs 2.176 million paid to the employee on account of pay & allowances from Mar 2018 to Nov 2019 was considered irregular.

Audit was of the view that undue favour was extended to a selected person at the cost of public exchequer.

The matter was reported to the Management/Ministry on Dec 13, 2019 and DAC meeting was held on 23 & 24 January 2020 but minutes are still awaited.

Audit requires investigating the reasons for the appointment of officer against the advertised criteria besides fixing responsibility and recovery.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.20 Pakistan Engineering Company Limited

7.20.1 Introduction

Pakistan Engineering Company Limited (PECO) was incorporated in Pakistan on February 15, 1950 under Companies Act 1913 (now Companies Ordinance 1984) as public limited company. The Company is principally engaged in the manufacturing and sale of engineering products. The major products of the company are electricity, transmission and communication towers, electric motors, pumps and steel rolled products etc. The Company had earlier closed down all its divisions, except structure divisions, and is principally engaged in the manufacturing and sale of electricity transmission and communication towers. At present, structure, pumps, electric motors, foundry and rolling mills divisions are in operation. State Engineering Corporation (Pvt.) Limited and Rotocast Engineering Company (Pvt.) Limited hold 25% shares each, while public holds 27% shares and remaining 23% shares are held by different financial institutions and others.

7.20.2 Comments on Audited Accounts

7.20.2.1 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 to 2018-19 till December 31, 2019.

Audit recommends that the annual audited accounts of 2017-18 to 2018-19 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(refer Annex-2).***

7.20.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of Compliance
2001-02	1	-	1	301	-
2002-03	04	03	01	107.3	75
2009-10	08	06	02	135.6,135.7	75
2013-14	10	04	06	8.21.4.1,8.21.4.2, 8.21.4.4,8.21.4.5, 8.21.4.6,8.21.4.7	40
2015-16	02	01	01	8.21.3	50
Total	**25**	**14**	**11**		**56**

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February 2025, 3:31:6 PM

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

7.20.4 Audit Paras

7.20.4.1 Irregular attempts to sell Badami Bagh Works Land - Rs 4,605 million

As per Section-25 of Privatization Commission Ordinance, 25. Modes of privatization.- The Commission shall carry out privatization, in accordance with the prescribed procedure, through any of the following modes- (a) sale of assets and business; (b) sale of shares through public auction or tender; (c) public offering of shares through a stock exchange; (d) management or employee buyouts by management or employees of a state owned enterprise; (e) lease, management or concession contracts; or (f) any other method as may be prescribed.

During the audit of PECO for the years 2016-17 to 2018-19 it was found that the management of PECO had given the title papers of Badami Bagh Works Land to Privatization Commission for settlement of Government loans. PC had attempted nine times to sale the land but failed.

Audit was of the view PECO assets should not be sold in bits and pieces. As per Section-25 referred there is no mode of privatization which allow the sale of assets only. Section-25(2) allow the sale of assets and business i.e. combine. Moreover, PECO assets should not be sold in bits and pieces and if privatization is necessary then PECO should be sold in totality.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was occurred due to weak assets management.

Audit recommends investigating the reasons to sale the Badami bagh works land against settlement of government loans. Clarify the title of Badami Bagh works land and its present status.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025 3:31 PM

7.20.4.2 *i. Irregular collusive tendering for purchase of MS/HT Angles - Rs 1,342.168 million*
ii Procurement of MS/HT Angles from 2nd lowest bidders - Rs 197.493 million

As per Section-4(2) (e) of Competition Act 2010, "no undertaking or association of undertakings shall enter into any agreement or in the case of an association of undertakings shall make a decision in respect of production, supply, distribution, acquisition or control of goods or the provision of services which have the object of effect of preventing, restricting or reducing competition within the relevant market ---. (2) Such agreements include but not limited to (e) collusive tendering or bidding for sale, purchase or procurement of any goods or service."

As per rule-38 of Public Procurement Rules 2004, the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal government, shall be awarded the procurement contract, within the original or extended period of bid validity.

During the audit of PECO for the years 2016-17 to 2018-19, it was found that the management was purchasing the MS/HT Steel Angles from five suppliers on the basis of annual rates. All suppliers quoted same rates for different sizes of MS/HT Steel Angles. Management was placing orders on criteria best known to management. Breakup of total procurements made during 2016-17 and 2017-18 from these suppliers was as under:

S. No.	Supplier Name	Rs
1	Amir Asim Steel Re-Rolling Mills	91,919,399
2	Inam Steel Re-Rolling Mills	299,658,489
3	Ishtiaq Steel Industry	501,815,520
4	New Shalimar Steel Industries	270,712,431
5	Shalimar Steel Re-Rolling Mills	178,063,022
	Grand Total	**1,342,168,861**

It is further observed that that the management was conducting comparison of rates exclusive of GST. Audit compared the rates inclusive of GST which showed that management had placed purchase orders valuing Rs 197.493 million to 2nd lowest bidders which was a violation of PPRA rules.

Audit was of the view that management was instrumental in collusive tendering and violating the Competition Act referred to above. Thus procurement of MS/HT Angles valuing Rs 1,342.168 million was held doubtful under Competition Act and Rs 197.493 million irregular under PPRA.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was occurred due to non-adherence of procurement rules resulted into loss to the organization.

Audit recommends to justify the procurement of MS/HT Angles from above suppliers and violations of PPRA Rules. Provide the breakup of procurement of angles in 2018-19 and refer the matter to Competition Commission of Pakistan for holding an inquiry for collusive tendering.

7.20.4.3 Loss due to excessive wastage of zinc and leakage of Zinc melting kettle - Rs 65.894 million

As per rule 2(5)(a) of 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, in the following manner, namely:- (a) 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." Moreover, as per expert opinion, Dr. Thomas H. Cook the production of ash above 13% and dross above 10% is excessive i.e. 23% wastage is possible.

During the audit of PECO for the years 2016-17 to 2018-19, it was found that heavy quantities of zinc were wasted in the form of ash and dross. During galvanizing process, zinc was melted and structure/towers were dipped in melted zinc. In this processing zin was wasted in the form of Ash and Dross. As per zinc consumption report the production of dross and ash varied between 23.33% to 60.56% during 2017-18, which was much higher than the standard wastage of 23%. Total monetary impact of this wastage was Rs 49.854 million **(Annex-30).**

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

Further, it is worth mentioning here that in July 2017 Zinc melting cattle was leaked and 40 M. Ton Zinc valuing Rs 16.040 million was spilled over.

Audit was of the view that the management failed to control the excessive wastage of zinc resulting in to loss of millions of rupees to the company.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was occurred due to weak inventory control, which resulted into loss to the organization.

Audit recommends investigating the matter of excessive wastage of zinc besides fixing of responsibility. Make good the loss due to leakage.

7.20.4.4 Loss due to over consumption of zinc in galvanization process - Rs 34.459 million

As per rule 2(5)(a) of 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, in the following manner, namely:- (a) 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." Moreover, As per WAPDA standard specifications, PECO was required to ensure 90 microns zinc coating.

During the audit of PECO for the years 2016-17 to 2018-19, it was found that heavy quantities of zinc were consumed for coating more than 90 microns. During galvanizing process, zinc was melted and structure/towers were dipped in melted zinc. In this processing zinc was coated. In order to ensure the 90 micron coating, specific timing, temperature and other factors were required. There was no control mechanism to ensure the 90 micron coating. Audit has analyzed the zinc consumption data of 2017-18 and it was found that 112 to 160 microns of zinc quantity were quoted resulting into over consumption of zinc valuing Rs 34.459 million.

Muhammad Imran Shahid
Asst Programer
Monday, 24 February, 2025, 3:31:6 PM

Audit was of the view that fundamental principle of probity, propriety and due economy was not exercised resulting heavy production losses to the company due to over-consumption of zinc.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was occurred due to weak inventory management, which resulted into excess consumption of zinc in galvanizing process.

Audit recommends investigating the matter for over-consumption of zinc in coating more than 90 microns besides fixing responsibility.

7.20.4.5 Wasteful expenditure on import of 186 motors from M/s Jiangsu without any progress in technology transfer agreement - Rs 19.397 million

As per clause 3.2.6 of the Letter of Intent for transfer to technology signed with M/s Jiangsu Leader Standard Motor Co. Ltd, China, M/s Jiangsu was responsible for establishment of assembly line in PECO immediately after import of motors. Further clauses stipulated the establishment of testing facility, impart the training, establish joint manufacturing facility, ensure technology and other support and provision of some used machinery free of cost as their part of investment.

During the audit of PECO for the years 2016-17 to 2018-19, it was found that the management signed an agreement/ Letter of Intent with M/s Jiangsu Leader Standard Motor Co. Ltd, China on 06.10.2017 in order to compete and fetch larger share of the market with an intention to upgrade/modernize its motor manufacturing facilities. According to Phase-1 (clause 3.1.10 of letter of intent) PECO had to import 186 motors. PECO fulfilled its obligation and imported 186 motors by incurring an expenditure of Rs 19.397 million in January 2018. Audit noted that these 186 motors were lying in the stocks and neither the PECO management showed any progress on the letter of intent nor the Chinese Company M/s Jiangsu established any manufacturing facility in PECO which was liable to ensure the successful marketing of these motors in Pakistan and other markets.

Muhammad Imran Shahid Asst Programmer Monday, 24 February, 2025 3:31:6 PM

Audit was of the view that management did not exercise due care and professionalism due to which no progress on this project was made. PECO's interest was not safe guarded in the letter of intent in case the Chinese company did not fulfill its obligations or delayed the matter. Neither any assembly line was built nor any other obligation was met by the Chinese company. Thus the heavy amount incurred on import of motors failed to achieve its objective and next to waste.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity occurred due to weak inventory control resulted into wasteful expenditure.

Audit recommends investigating the reasons for zero progress on letter of intent and import of motors without any further progress. Justify the non-fulfillment of Phase-II i.e. establishment of manufacturing facility/ assembly line in PECO by Chinese company although a period of more than one and half year passed since the motors had been imported.

7.20.4.6 Wasteful procurement of plant and machinery from M/s Mintin Corporation - Rs 17.180 million

As per rule 2(A) of Public Sector Companies (Corporate Governance) Rules, 2013, "(1) For the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely:-(a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities."

During the audit of PECO for the years 2016-17 to 2018-19, it was found that management placed a purchase order dated 16.10.2017 with M/s MinTin Corporation for procurement of parts of CNC machine manufactured by M/s FICEP, Italy. Total value of purchase order was Rs 10.780 million. Machine was delivered to PECO factory on 04.5.2018. The machine remained non functional and no production could be started although a period of more than one year had elapsed. Moreover, a Gasifier Plant valuing Rs 6.400 million was also procured

Muhammad Imran Shahid Asst Programmer Monday, 24 February 2025, 3:31:6 PM

from M/s MinTin Corporation vide purchase order dated 21.09.2015 which was also non-functional since import.

Audit was of the view that due care was not exercised and plant and machinery was procured without any genuine requirement and subsequently remained un-used/non-functional resulting into wastage of resources.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity occurred due to weak internal control, which resulted into loss to the organization.

Audit recommends investigating the reasons for procurement of plant and machinery items and its non-utilization besides fixing of responsibility.

7.20.4.7 *Irregular payment of TA/DA to WAPDA/DISCO's Employees - Rs 13.139 million*

As per rule 2(A) of Public Sector Companies (Corporate Governance) Rules, 2013, "(1) For the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely:- (a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities."

During the audit of PECO for the years 2016-17 to 2018-19, it was found that the management paid TA/DA to WAPDA/DISCOs employees who came for inspection of manufactured towers. It is pertinent to mention here that 0.5% of the cost of material was deposited with relevant company. TA/DA charges were paid to employees of WAPDA/DISCOs separately at an average of Rs 250,000. Audit demanded the breakup and basis of these payments but nothing was provided to audit. Audit has taken the ledger account in which total amount booked as inspection charges was Rs 13.139 million in 2016-17 and 2017-18.

Audit was of the view that PECO was depositing the Inspection Charges therefore the payment of TA/DA to WAPDA/DISCOs employees was additional as these organizations have their own TA/DA rules. If any expenditure on

Muhammad Imran Shahid Asst Programmer Monday, 24 February, 2025, 3:31 PM

travelling, boarding/lodging had to be bear by PECO, it should have been paid to relevant hotel directly and not to WAPDA employees. Total payment of Rs 13.139 million was held doubtful and irregular in audit.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was occurred due to weak internal control and non-compliance of corporate governance rules, resulted into irregular payment of TA/DA to WAPDA employees

Audit recommends to justify the payment of inspection charges TA/DA to WAPDA/DISCOs employees, fix the responsibility and recover the irregular paid amount.

7.20.4.8 Non-returning the company assets by ex-employees - Rs 9.800 million

As per clause 21(6)(a) of Public Sector Companies Corporate Governance Rules 2013 "terms of reference of audit committee includes determination of appropriate measures to safeguard the Public Sector Company's assets"

During the audit of PECO for the year 2017-18 it was observed that the services of 14 numbers of officers had been terminated from the company but they had not returned the cars, laptops and computer accessories. Audit estimated that terminated employees had taken assets worth Rs 9.800 million.

Audit was of the view appropriate measures were not taken to safeguard the company assets. Non-returning the company assets and using them for personal use after termination was a serious lapse at the part of the management.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was occurred due to weak assets management, which resulting into non receipt of assets from ex-employees.

Muhammad Imran Shahid
Asstt. Programmer
Monday, 24 February, 2025 3:31:05 PM

Audit recommends investigating the matter for non-obtaining the company assets, besides fixing of responsibility and recovery of assets.

7.20.4.9 Doubtful expenditure paid to confidential staff - Rs 9.241 million

As per rule 5(5) of 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 --."

During the audit of PECO for the years 2016-17 to 2018-19, it was observed that the management incurred heavy expenditure of Rs 9.241 million during 2017-18 on advance against salaries, vehicle running, telephone and postage etc. These expenses were paid to confidential staff. Breakup and purpose of payment made to confidential staff and reasons for hiring such staff was demanded by the audit but nothing was provided. Thus expenditure was held doubtful in audit.

Audit was of the view that all the expenditure should be incurred keeping in view the principles of probity, propriety and objectivity. Hiring of confidential staff and payment of expenditure needs to be justified with complete breakup and supporting documents.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was occurred due to weak internal control and poor financial management.

Audit recommends holding of a departmental inquiry to ascertain the genuineness and nature of these payments, hiring of confidential staff besides fixing responsibility.

7.20.4.10 Irregular and doubtful sale of plant & machinery items as scrap - Rs 8.976 million

As per rule 5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, "the Board shall establish a system of sound internal control, which

Muhammad Imran Shahid Asstt Programer Monday, 24 February, 2025 3:31:c PM

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 --."

During the audit of PECO for the years 2016-17 to 2018-19, it was noted that company assets valuing Rs 8.976 million were sold out during 2016-17 (as per note 12.1.5 of financial statement) without keeping in view the shareholding issue which was under investigation in NAB. As per internal probe conducted by GM Works, Col. Syed Amir Raza it was concluded that from the year 2014 to 2016, total 526 machines were sold out as scrap, out of which a large number of machines were under use of different industries in Lahore after minor repairs such as M/s Prime Steel and M/s Altech owned by Mr. Mian Saeed.

Audit was of the view that fundamental principles of probity and propriety, objectivity and honesty was not observed and company assets were disposed-off by a BoD whose constitution was based on doubtful sale of shares in stock market and under investigation. Therefore, sale of company assets was considered doubtful and irregular.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was occurred due to weak assets management, which resulted into sale of plant and machinery as scrape.

Audit recommends investigating to provide the complete breakup of plant & machinery items disposed off since the private directors took over PECO Board. Refer the matter to investigation agencies for thorough probe of all the plant and machinery items disposed-off since the private directors took over PECO Board.

7.20.4.11 Loss of interest income due to irrational placement of cash funds - Rs 5.345 million

As per rule 2(A) of Public Sector Companies (Corporate Governance) Rules, 2013, "for the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely: -(a) the business of the Public Sector

Muhammad Imran Shahid
Asst. Programmer
Monday, 24 February, 2025, 3:31:6 PM

Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

During the audit of PECO for the years 2016-17 to 2018-19, it was found that the management kept Rs 80.78 million in current account and Rs 8.30 million as cash in hand. This was 92% of the company's total cash resources and Rs 7.77 million which were only 8% of said liquidity, has been put into deposit accounts earning 5-6% interest. The greater amount of funds has earned no interest, which would have been Rs 5.345 million calculated at 6%.

Audit was of the view that due care was not exercised and cash resources were not invested prudently to generate income which was a serious lapse at the part of the management this imprudent decision resulted into loss of income of Rs 5.345 million.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was incurred due to weak financial management and non-adherence of corporate governance rules.

Audit recommends investigating the reasons for non-investment of cash funds besides fixing responsibility.

7.20.4.12 Non-production of record

As per clause 14 (2&3) of the Auditor General of Pakistan Ordinance 2001, "the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Any person or authority hindering the audit functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person". The National Assembly Secretariat issued instructions of the Public Accounts Committee to all the Principal Accounting Officers, Minister/Divisions/Head of Departments vide OM dated June 30, 2004, to make available all information/record to audit as and when required by them.

During audit of PECO for the year 2017-19, certain information/record was demanded from the management **(Annex-31)** but the same was not provided to audit despite several requests.

Audit was of the view that due to non-production of record audit could not express its opinion on a number of aspects of company's operations & transactions which had material financial impact.

The matter was reported to the Management/Ministry on Oct 9, 2019 and DAC meeting was convened on 23rd and 24th January 2020 but minutes of the meeting is awaited.

The irregularity was occurred due to weak internal control resulting into non adherence of AGP instruction and non-production of record.

Audit recommends to justify the reasons for non-production of record and fix the responsibility on the person held responsible.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.21 Pakistan Hunting and Sporting Arms Development Company

7.21.1 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.

7.21.2 Comments on Audited Accounts:

7.21.2.1 The working results of the Company for the year 2018-19 as compared to previous years are given below:

(Rs in million)

	2018-19	% Inc / (Dec)	2017-18	% Inc / (Dec)	2016-17
Income from Training Centre (CFTC)	2.44	(35.79)	3.80	783.72	0.43
Other income	2.11	(33.86)	3.19	2800.00	0.11
Total income	**4.55**	(34.91)	**6.99**	1194.44	**0.54**
Administrative expenses	26.21	13.86	23.02	21.29	18.98
Marketing expenses	1.26	293.75	0.32	(87.69)	2.60
Financial expenses	0.004	(95.56)	0.09	200.00	0.03
Total Expenditure	**27.474**	17.26	**23.43**	3.13	**22.72**
(Deficit) of income over expenditure	(22.93)	39.48	**(16.44)**	(25.88)	(22.18)
Actuarial (loss) / gain	(0.29)	(44.23)	**(0.52)**	44.44	(0.36)
(Deficit) for the year	(23.22)	36.91	**(16.96)**	(15.66)	(20.11)
Accumulated Surplus / (deficit)	**(173.30)**	15.47	**(150.08)**	12.74	**(133.12)**

Source: (Annual Audited Accounts)

Muhammad Imran Shahid Asstt Programmer Monday, 24 February, 2025 3:31:56 PM

The Company incurred total expenditure of Rs 27.48 million as against the total income of Rs 2.44 million resulting into loss of Rs 22.93 million in the year 2018-19. The main source of income was from training, which decreased to Rs 2.44 million in 2018-19 against Rs 3.80 million showing decline of 35.79 % over the previous year. The other income was also decreased from Rs 3.19 million in 2017-18 to Rs 2.11 million in 2018-19 showing decrease of 33.86 %. Efforts need to be made to increase income of the company by utilizing both the sources.

7.21.2.2 Dues from customers increased by 81.72% from Rs 1.258 million in 2017-18 to Rs 2.286 million during the year under review which show poor financial management towards recovery, which needs to be explained.

7.21.2.3 The accumulated deficit stood at Rs 173.30 million in 2018-19 as against Rs 150.08 million of previous year. This showed that the existence of a material uncertainty caused doubt about the Company's ability to continue as a going concern. The management of the Company may explain reasons for the above poor financial position.

7.21.3 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
2015-16	**05**	**0**	**05**	8.16.1, 8.16.2.1, 8.16.2.2, 8.16.2.3, 8.16.2.4	**0**
Total	**11**	**01**	**10**		**91**

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

Muhammad Imran Sharif
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.21.4 Audit Paras

7.21.4.1 Loss due to non-maturing of exports order and service charges / commission - Rs 139.741 million

As per clause- 5 of the PC-1 for project "establishment of Pakistan Hunting and Sporting Arms Development Company (PHSADC)" dated November, 2006 "the objective of PHSADC is to be a sector development company to create another export market for Pakistan. It will help upgrade existing traditional cottage level skills already available in the hunting & sporting arms industry of Pakistan. Establish linkages for export of hunting and sporting arms and accessories. The PHSADC Board of Directors vide its 13th meeting held on 21st February, 2011 fixed service Charge up to 3-5 % services /commission charges for self-sustainability of the organization on export orders routed through PHSADC. Further one of the core objectives of the PHSADC is to export hunting & sporting arms of the local industries by making arrangement.

During audit of Pakistan Hunting & Sporting Arms Development Company (PHSADC) Peshawar for the year 2013-2019, it was observed that the management has developed the local products as per International standards and successfully achieved the international accreditation certificate like BATF –USA and CIP Europe. The company further displayed these local products at international exhibition and secured various export orders from different countries amounting to $ 1,264,200 equivalent to Pak. Rs 132.741 million during the period 2013 to 2017. The said orders could not be materialized due to non-issuance of NOC from Ministry of Defence Production (MoDP) which is one of the pre-requisites for export of firearms from Pakistan. Ministry of Defense Production (MODP) is authorized vide the export policy order 2016 schedule II, serial No. 11 to issue NOC for "Arms, ammunition, explosives and ingredients thereof. In the absence of clear policy MODP treat both defense as well as hunting & sporting arms products same whereas defence products required extensive documentations and globally treated separately from hunting & sporting arms products (HS code # 9303). Furthermore, for export, the exporter request MODP for issuance of export NOC and MODP then forward the exporter request for obtaining of NOC to Ministry of Foreign Affairs (MOFA) for importer verification through concerned Pakistani High Commissioner, this process of issuance of export NOC is so complicated due to which not only delay the export process but also discourage the manufacturers as well as importers. Furthermore, due to non-maturing of export orders due to export NOC from MODP, PHSADC sustained a loss of Rs 7.000 million (Rs 132.741 million x 5%) on account of 5% commission / services charges.

Matter was reported to the management on November 18, 2019 but not reply received till finalization of this finalization of this report.

The irregularity occurred due to weak financial control and the company was deprived of earning of foreign exchange by making export.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit required investigating the reasons for non-maturing of export orders. Fix responsibility at the person(s) held responsible. Remedial measures for making export NOC policy compatible with international standard may be adopted to avoid such type of losses in future.

7.21.4.2 Loss due to non-initiation of risk & cost action against a defaulter firm - Rs 3.322 million

As per Clause-12.1 of tender documents, in case of failure to supply the store, the purchaser will be entitled to re-purchase the store from elsewhere at the risk and expense of the supplier.

During audit of Pakistan Hunting & Sporting Arms Development Company (PHSADC) Peshawar for the year 2013-2019, it was observed that the management awarded a contract No. PHSDAC/CFTC/001/2016 dated 23rd February, 2016 to M/s K.M Enterprises for supply of Universal Milling Machine model ML-6126 valuing US$ 13,800 equivalents to Pak Rs 1,890,597 with delivery period upto 22.6.2016. The firm failed to supply the store. The management was required to initiate risk purchase action against the firm and recover the excess amount from M/s K.M Enterprises but the same was not done and procured the same machinery vide contract No. PHSADC /001/2018-19 dated 5th September, 2018 from M/s Dynamic Tooling Services valuing Rs 5,212,977. Thus due to non- initiation of risk purchase action against the

Muhammad Imran Shahid Asst Programmer Monday, 24 February, 2025 5:31:6 PM
Muhammad Imran Shahid Asst Programmer Monday, 24 February, 2025 5:31:6 PM

defaulter firm, PHSADC sustained a loss of Rs 3,322,380 (Rs 5,212,977 - Rs 1,890,597).

Matter was reported to the management on November 18, 2019 but not reply received till finalization of this finalization of this report.

The irregularity occurred due to weak financial control and the company was deprived of recovery of risk & cost amount.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit required investigating the reasons non- initiation of risk purchase action against the defaulter firm at ministry level. Fix responsibility thereof. Make the loss good from the persons held responsible.

7.21.4.3 Irregular expenditure due to purchase of vehicle against the austerity measures of the government - Rs 2.049 million

In accordance with Austerity Measures for the financial year 2017-18 issued vide Government of Pakistan Finance Division (Expenditure Wing) OM No. 7(1) Exp. IV/2016-540 dated 26^{th} July, 2017, "There will be a complete ban on purchase of all types of vehicles (excluding motorcycles) both for current as well as development expenditure except operational vehicles of Law Enforcing Agencies for which NOC from Finance Division would be required.

During audit of Pakistan Hunting & Sporting Arms Development Co. (PHSADC) Peshawar, for the years 2013-14 to 2018-19, it was observed that a vehicle Model 2018 Toyota Corolla GLI 178 BAT was purchased from Indus Motor Company Limited vide invoice No. 90388766 dated 08-05-2018 for a gross amount of Rs 2,048,500. The procurement of vehicle was made without clearing from the austerity committee of Finance Division through the administrative Ministry. Thus expenditure amounting to Rs 2.049 million incurred on the purchase of vehicle in violation of the Austerity Measures of the Government was held irregular in audit.

Matter was reported to the management on November 18, 2019 but not reply received till finalization of this finalization of this report.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025 3:31:56 PM

The irregularity occurred due to weak financial control and the company was deprived of proper utilization of funds.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit required investigating the reasons for such irregular purchase of vehicle and to fix responsibility thereof.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.22 State Engineering Corporation (Pvt) Ltd

7.22.1 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, 2019, the company has fully paid up Capital of Rs 889.96 million. Moreover the company also has Govt. Equity Fund of Rs 2,249.76 million (Rs 2,249.76 million on June 30, 2018) 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

Muhammad Imran Sharif
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.22.2 Comments on Audited Accounts

7.22.2.1 The working results of the Corporation for the year 2018-19 as compared to previous years are given below:

(Rs in million)

Description	2018-19	% Inc / (Dec)	2017-18	% Inc / (Dec)	2016-17
Income					
Service charges	55.00		55.00	25.00	44.00
Interest income	3.78		3.80	20.25	3.16
Grant income	-		-	-	0.25
Total income	**58.79**		**58.80**	**24.02**	**47.41**
Expenditure					
Operating expenses	57.91	0.02	56.97	45.74	39.09
Operating Profit/(loss)	**0.860**	**(53.26)**	**1.84**	**(77.86)**	**8.31**
Profit/(loss) before Taxation	**1.442**	**222.22**	**1.855**	**(99.78)**	**8.31**
Taxation	4.40	-	4.40	3.77	4.24
Profit / (loss) after Taxation	**(2.96)**	**16.08**	**(2.55)**	**(162.5)**	**4.08**
Accumulated profit/ (loss)	**1228.88**	**0.19**	**(1,520.73)**	**0.17**	**(1,518.19)**

(Source: Annual Audited Accounts)

Loss after taxation for the year 2018-19 was Rs 2.96 compared to loss of Rs 2.55 during the previous year. This consistent loss over the years is ending the entity of the company. Due to continuous losses the company is not likely to sustain as a going concern in the near future. Presently only 03 companies are functioning under SEC. Out of these 03 companies, HEC is in the process of privatization. The service charges received from these companies are insufficient to meet the operating expenses of SEC. Therefore, winding up of the Company needs consideration at appropriate level.

7.22.2.2 Long terms loans included loan of Rs 915,000 given to HEC, carrying mark-up of 9%. HEC has not made any payment since 2009. The interest on loan has increased to Rs 17.698 million. Non-payment of interest and principal amount of loan is adversely affecting the operational activities of the company. Early settlement of loan with accrued mark up is stressed upon the management.

7.22.2.3 Amount due from associated undertakings increased to Rs 264.532 million (2018: Rs 227.841 million). Aging of these balances showed that an amount of Rs 263.661 million was past due 90 days which shows that the due amount is not being received regularly from the associated companies. Matter needs to be taken with the concerned undertakings for early payment of due amount,

7.22.2.4 Loan from govt. increased from Rs 168.283 million in 2017-18 to Rs 188.233 million in 2018-19 registering an increase of Rs 11.85 %. During the previous year an amount of Rs 38.150 million was received for mutation of 1776.76 kanals of land in the name of HEC Govt. of Pakistan, Finance Division claimed repayment of Rs 23.061 million as debt servicing liability no repayment was made by the company to the Govt. of Pakistan. Reason for nonpayment of loan needs to be explained to audit

7.22.2.5 Accrued and other expenses increased from 4.280 million in 2017-18 to Rs 5.90 million in 2018-19. These expenses include Rs 42.50 million payable to related parties. Keeping in view the poor financial position of the company, chances of settlement of these payables are quite remote. Management is stressed to settle these liabilities at the earliest

7.22.3 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
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
2015-16	09	0	09	8.18.1, 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	0
Total	**76**	**41**	**35**		**54**

The compliance of the PAC directives was not satisfactory especially during 1999-00, 2002-03, 2003-04, 2005-06, 2013-14 and 2015-16, which need attention of the PAO.

Muhammad Imran Shahid Asst. Programmer Monday, 24 February, 2025, 3:31:6 PM

7.23 Technology Up-gradation and Skill Development Company

7.23.1 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.

7.23.2 Comments on Audited Accounts

7.23.2.1 The working results of the company for the year 2018-19 as compared to previous years are as under:

(Rs in million)

	2018-19	% Inc/ (Dec)	2017-18	% Inc/ (Dec)	2016-17
Income	103.221	38.24	67.07	42.46	47.08
Salaries, remuneration & benefits	72.421	(1.80)	71.72	43.67	49.92
Travelling & conveyance	6.894	(79.99)	5.99	38.98	4.31
Depreciation	29.385	(63.25)	27.22	161.57	10.4
Others	-	-	27.93	37.58	20.3
Total expenditure	108.700	8.76	132.86	56.43	84.93
Excess of expenditure over income	**(16.509)**	(415.02)	**(65.79)**	**13.67**	**(37.85)**
Other income	5.085	(67.56)	7.53	72.31	4.37
Accumulated Deficit	457.293	389.93	308.06	124.55	137.19
Surplus/ (deficit) for the year	(149.233)	(263.73)	(170.87)		(33.48)

(Source: Annual Audited Account)

Income from services rose to Rs 103.221 million in 2018-19 as compared to Rs 67.068 million registering an increase in income by 38.24%, although the income is increased, but it is mainly due to amalgamation of namely Gujranwala Tools Dies and Molds Centre (GTDMC) and Ceramics Development and Training Complex, (CDTC). Further, these two projects were being managed by TUSDEC management before its merger with TUSDEC. Management is required to intimate the future course of action with reference to production wise performance of these new projects after amalgamation.

Muhammad Imran Shahid Asstt Programmer Monday, 24 February 2025 3:31:6 PM

7.23.2.2 Other income decreased to Rs 5.085 million in 2018-19 from Rs 7.526 million in 2017-18 registering a decrease of 67.56%. Decrease in other income needs justification. Whereas, as per note 31, income from assets other than financial assets, miscellaneous income rose to Rs 1.732 million in 2018-19 and Rs 1.157 million in 2017-18, the continuous disposal of assets other than financial assets is an indication of mis-utilization of assets. Latest details of disposals in last two years may be shared with audit.

7.23.2.3 As per note 28, the incurring of expenditure on projects ITB and GIZ were booked as Rs 8.960 million and Rs 6.605 million respectively which includes employee-related expenses and other miscellaneous expenses viz. advertisement, travelling and conveyance etc. The expenditure was incurred without any physical progress; increasing trend was indication of delay in completion of projects. Reasons for increase along with detail of projects in progress may be provided.

7.23.2.4 Project expenses increased to Rs 35.831 million in 2018-19 as compared to Rs 15.326 million in 2017-18. The management is required to explain the reasons for such abnormal increase in expenses with justification /performance.

7.23.2.5 Excess of expenditure decreased to Rs 16.509 million during 2018-19 from Rs 65.79 million during 2017-18 and 2018-19 respectively. Management is stressed to further minimize expenditure.

7.23.2.6 Trade debts increased to Rs 31.451 million in 2018-19 as compared to Rs 13.504 million in 2017-18 registering an increase of 232.90%. The management was required to explain the reasons for such abnormal increase in trade receivables and make efforts for their early recovery.

7.23.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of compliance
2013-14	06	-	06	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 the PAC directives was very poor which need immediate attention of the PAO.

Muhammad Imran Shahid Asstt Programer Monday, 24 February, 2025, 3:31:6 PM

7.24 Utility Stores Corporation of Pakistan (Pvt.) Limited

7.24.1 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.

7.24.2 Comments on Audited Accounts

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 2018-19 till December 31, 2019. 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.

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

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

(Rs in million)

Particulars	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Sales	26,416.50	(50.73)	53,619.49	10.34	48,593.95
Subsidy	850.67	(79.99)	4,250.60	138.87	1,779.47
Cost of sales	24,902.39	(53.22)	53,231.90	14.53	46,478.52
Gross Profit	2,364.78	(49.02)	4,638.20	19.08	3,894.90
Selling and Distribution expenses	6,902.32	(5.74)	7,322.38	13.73	6,438.67
Administrative expenses	428.15	3.75	412.68	1.39	407.02
Finance Cost	32.82	(29.81)	46.75	4.68	44.66
Other Income	288.10	(5.89)	306.14	(21.87)	391.83
Loss before taxation	4,710.41	66.01	2,837.47	8.98	2,603.62
Taxation	313.36	(41.60)	536.55	14.08	470.34
Loss after taxation	5,023.76	48.90	3,374.02	9.76	3,073.96
Loss per share	68.10	48.89	45.74	9.77	41.67

(Source: Annual Audited Accounts)

The Corporation has Loss after taxation increased from Rs 3,374.02 million during 2016-17 to Rs 5,023.76 million during 2017-18 resulted in increase in accumulated losses to Rs 7,634.667 million which converted the Government equity into negative equity of Rs 2,542.981 million. Current Liabilities of the Corporation exceeds its current assets by the amount of Rs 4,460.057 million. The Company has negative cash flows from operations amounting to Rs 5,361.071 million. These conditions created doubt of material uncertainty and Corporation's inability to continue as a going concern which needs explanation.

7.24.2.2 Sales of the corporation decreased by 50.73% i.e. from Rs 53,619.49 during 2016-17 to Rs 26,416.50 during 2017-18 whereas Selling & Distribution expenses only decreased by 5.74%. Also, Administrative Expenses increased by 3.75% i.e. from Rs 412.68 million during 2016-17 to Rs 428.15 during 2017-18. Disproportionate decrease/increase in Selling & Distribution expenses and Administrative expenses with respect to sales needs explanation.

7.24.2.3 The Chartered Accountants issued a qualified opinion in their audit report for the year 2017-18 on the following basis:

- 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

Muhammad Imran Shahid Asst Programer Monday, 24 February, 2025, 3:31:6 PM

amount of Rs 571.85 million had not been transferred in the name of the Company which needed justification.

- 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.
- As per qualification of the Chartered Accountants, in the absence of proper inventory software system, tracking of quantitative data of goods sold is not maintained by USC which resulted in auditors inability to obtain assurance on the completeness of item-wise sales.

7.24.2.4 It is also emphasized on the matter regarding Tax Refund due from the FBR on account of Sales Tax and Federal Excise Duty valuing Rs 1,315.891 million relating to period from July 2011 to June 2016, which needs early recovery to reduce the financial crises of the corporation. Like wise the matter regarding Tax refund of Rs 2,753.455 million due from government is still to be resolved since many years which needs to be pursued vigorously.

7.24.2.5 The management had made provisions on various heads of accounts without any reason/justification which needs to be explained:

(Rs in million)

Sr No	Provision for	2017-18	2016-17
1	Slow moving and obsolete items	13.809	166.877
2	Doubtful debts	27.237	--
3	Doubtful insurance claims	12.741	35.292
4	Doubtful recoverable from Store Incharges	51.560	249.468
5	Misc. receivables	28.807	2.786
	Total	**134.154**	**454.423**

The management required immediate attention to curb the tendency of making such provisions despite the fact that the financial health of the corporation is very weak.

7.24.2.6 The shortage in stocks recoverable from store incharges valuing Rs 1,447.21 million as on June 30, 2017 increased to Rs 1,517.630 million as on June 30, 2018 registering an increase by 5%. Effort needs to be made for an early recovery of the shortage amount besides minimizing the chances for shortage.

7.24.2.7 The financial and operational results of USC are summarized as under:

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

	2016-17	2017-18
Sales including subsidy by Govt.	57,870,097,499	27,267,172,587
Cost of Sales	53,231,897,160	24,902,393,389
Selling & Distribution Expenses	7,322,384,338	6,902,318,154
Admn expenses	412,679,675	428,149,024
Finance Cost	46,745,688	32,814,761
Taxation	536,550,248	313,355,082
Total Expenditure	61,550,257,109	32,579,030,410
Total No. of Stores	4,489	4,395
Total No. of Employees	13,603	13,263
Total Damaged/Expired Stock	320,000,000	320,000,000
Total Loss per Year of USC	3,374,024,690	5,023,762,772

The performance indicators of Utility Stores Corporations can be judged from the following ratio analysis as under:

	2017-18	2018-19
Expense to sales ratio	106%	119%
Sales to expense ratio	94%	84%
Sales to employees ratio	4,254,215.80	2,055,882.73
Expense to employees ratio	4,524,756	2,456,385
Expense to stores ratio	13,711,352	7,412,749
Sales to stores ratio	12,891,534	6,204,135
Loss to stores ratio	751,621	1,143,063
Loss to employees ratio	248,035	378,780
Damaged/expired stock to employee ratio	23,524	24,127
Damaged/expired stock to stores ratio	71,285	72,810

It is clear from the above performance analysis that the corporation performance is very poor in the last two years which will be further deteriorated in years to come. Management needs to address the current situation and devise a plan to overcome the present alarming situation.

7.24.2.8 The Government of Pakistan granted subsidy to the Corporation in order to stabilize the essential commodity prices in market and this subsidy is granted particularly in the holy month of Ramadan. The subsidy was allowed about 1.73 billion for the year 2017-18 but due to decrease in sales the corporation, the subsidy to the tune of Rs 850.674 million was realized in 2017-18 as compared to Rs 4,250.603 million in 2016-17 showing a decrease of 80% which needs to be explained.

7.24.2.9 Long Term Loan represent "Cash Development Loan (CDL)" amounting to Rs 500.00 million approved by ECNEC for expansion of USC

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:16 PM

network (establishment of 22 warehouses and 5000 stores at Union Council level) in F.Y. 2007-08 at a total cost of Rs 1,778.44 million. The terms and conditions of CDL loan of Rs 500 million have not yet been finalized which needs to be explained with reasons.

7.24.3 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.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

7.24.4 Audit Paras

7.24.4.1 Non-achievement of operational/sales targets set by USC - Rs 67,346.19 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.

Further, 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 the regular audit of Utility Stores Corporation (USC) for the year 2018-19 it was observed that the corporation sustained the net loss of Rs 5.024 billion in 2017-18 and Rs 6.775 billion in 2018-19 due to non-achievement of sales targets set for zones/regions/stores. Further probe in to the matter revealed that sales targets were fallen short by Rs 67,346.19 million i.e. 63% short of the sales targets for 2017-18 and 2018-19 showing 37% achievement only. The USC management failed to meet any of its sales targets and in spite of huge investment of Rs 6.00 billion in the shape of purchase of inventory and fixed assets worth Rs 4.282 billion in 2018-19, the operational results of the USC stores were extremely unsatisfactory. The targets were not based on real market survey. In addition, the selection of the stores site was neither advertised nor any market survey was conducted. The detail of less achievement of sales targets zone-wise for 2017-18 and 2018-19 is as under:

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:5 PM

ZONE WISE SALE ACHIEVED DURING THE LAST TWO FINANACIAL YEARS

S. No.	Zone	2017-18	Target (2017-18)	%age	2018-19	Target (2018-19)	%age	Total Targets	Actual Sales	%age Achieved
1	**Abbottabad**	2,782.44	7,350.37	37.85	1,281.90	4,821.57	26.59	**12,171.93**	**4,064.34**	**33.39**
2	**Islamabad**	5,730.08	12,234.13	46.84	2,152.21	8,026.08	26.82	**20,260.21**	**7,882.29**	**38.91**
3	**Karachi**	1,965.09	4,264.02	46.09	712.01	2,797.20	25.45	**7,061.22**	**2,677.10**	**37.91**
4	**Lahore**	4,695.41	10,688.34	43.93	1,712.17	7,011.60	24.42	**17,699.94**	**6,407.58**	**36.20**
5	**Multan**	3,288.81	9,149.74	35.94	1,323.80	6,002.23	22.06	**15,151.97**	**4,612.61**	**30.44**
6	**Peshawar**	4,388.11	8,546.86	51.34	1,304.83	5,607.00	23.27	**14,153.86**	**5,692.94**	**40.22**
7	**Quetta**	707.42	1,612.16	43.88	174.28	1,057.56	16.48	**2,669.72**	**881.70**	**33.03**
8	**Sargodha**	3,689.05	8,338.59	44.24	1,603.41	5,470.12	29.31	**13,808.71**	**5,292.46**	**38.33**
9	**Sukkur**	889.87	1,839.39	48.38	276.54	1,206.65	22.92	**3,046.04**	**1,166.41**	**38.29**
G.Total		**28,136.28**	**64,023.60**	**43.95**	**10,541.14**	**42,000.00**	**25.10**	**106,023.61**	**38,677.42**	**36.48**

Audit was of the view that the zonal/regional management could not ensure the achievement of sales targets fixed by the head office and the head office management did not consult the zonal/regional managers while setting targets of yearly sales. Thus, non-achievement of sales targets was termed as in-efficient performance of management, causing the huge loss to the corporation.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to state reasons of less achievement of sales targets resulting in heavy losses sustained by Corporation, investigate the matter at administrative level and fix responsibility.

7.24.4.2 Misuse of Govt subsidy on account of payable to TCP for procurementof sugar – Rs 8,452.175 million

As per rule 4(3) of the 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 the audit of USC, Head Office, Islamabad for the year 2018-19 it was observed that the Corporation procured sugar from Trading Corporation of Pakistan (TCP) on credit basis and an amount of Rs 26,541 million was payable since 2012-13 & 2013-14. On the contrary, the Corporation's receivables from Govt. of Pakistan on account of subsidy on sugar were Rs 18,088.925 million leaving a balance of Rs 8,452.175 million which was mis utilized by USC for its internal operations. It is further elaborated that the reconciliation of accounts payable and accounts receivables on account of payment of Sugar to TCP and subsidy receivable from GoP is not done and thus resulted in mis-utilization of these receipts from Ministry of Finance which is held irregular in audit.

Audit was of the view that payment on account of Sugar received from TCP of Rs 26, 541.00 million was to be made after receipt from GoP but due to mis-utilization of funds not paid to TCP, and an amount of Rs 8,452.175 million is utilized irregularly.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to state reasons of mis-utilization of funds instead of making payment to TCP of Rs 8,452.175 million, investigate the matter at Ministry Level and fix responsibility on person(s) held responsible, make arrangements to clear the long outstanding dues to TCP on account of sugar.

7.24.4.3 Un-authorized / irregular provision of gratuity – Rs 1,412.656 million

Finance Division, Regulation Wing-II vide OM No.G.15(3)R-14/84 dated October 16, 1984 issued instructions to Ministries / Division to direct such Autonomous / Semi-Autonomous Bodies and Corporations under their administrative control, where the pension scheme does not exist, the payment of gratuity in addition to C.P.F should not be allowed to their employees on their quitting the services. However, the above facilities were allowed to the employees of autonomous bodies and corporations as available to them prior to

Muhammad Imran Shahid Asstt Programmer Monday, 24 February, 2025, 3:31:16 PM

October 16, 1984 as a special case vide Finance Division OM dated February 11, 1985.

During the audit of USC for the year 2018-19, it was observed that management of USC had extended the facility of gratuity in addition to the provision of C.P.F scheme to their employees who were appointed after October 16, 1984 in violation of above instructions. A provision of Rs 1,412.656 million was made on account of gratuity for non-entitled employees as on June 30, 2018. It is further added that BOD in its 102nd meeting held on 27.08.2009 made a decision regarding calculation of provision of gratuity on Gross Salary basis instead of Basic Salary to all permanent and regular categories employees irrespective of their date of appointment. It is also elaborated that the Chartered Accountants in their qualified report for the year 2017-18 also indicated the irregular provision of gratuity to employees after 1984. Due to non-observance of Government instructions, corporation made irregular provision of gratuity amounting to Rs 1,412.656 million.

Audit was of the view that the management of USC was required to follow the above Govt. instructions and also required to get clarification from the Regulation Wing of the Finance Division as per directions of DAC dated January 17, 2011 but no progress was intimated uptill now.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to state reasons of booking provision for gratuity in the accounts in violation of above referred rules, stop making further provision in the books of accounts and reverse the available provision of Rs 1,412.656 million as advised by the Chartered Accountants in their qualified audit report for the year 2017-18 and investigate the matter at administrative level and fix responsibility.

7.24.4.4 Loss due to non-replacement of damaged/expired stock to vendors - Rs 353.494 million

As per Clause-7.02 of the USC Stores Operational Manual, each store In-charge is required to submit a list of damaged goods together with his monthly

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025

requisition. In case there is no damaged stock, a certificate to that effect will be submitted by the concerned stores to the Divisional Manager (Regional Manager) along with the requisition for fresh stock. As per Clause-7.04, each case of damage must be thoroughly investigated by the Area Manager concerned and the responsibility of loss may be fixed by the Divisional Manager and suitable action should be taken. As per Clause-7.06, the damage in the warehouse/store is the personal responsibility of the In-charge concerned after the stock taking carried out.

During the audit of USC for the year 2018-19, it was observed that stock valuing Rs 353.494 million could not be sold out due to damage/expiry and were lying in various ware houses/stores since long as on June 30, 2019. Furthermore, the vendors/parties wise details of stores damaged/expired is not provided which further created doubt about giving undue favour to specific vendors. No effort was made by the management for return/adjustment of expired/damaged stocks to the vendors or forfeiture of their securities.

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 stocks previously held. Audit was of the view that due to not taking any action by the management for settlement of the matter with vendors, the corporation may sustain a loss of Rs 353.494 million.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to state reasons of not following the USC Stores rules and sales agreement with vendors regarding disposal of damaged/expired stock, investigate the reasons of such irregularity and fix responsibility on persons at fault.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025 3:31:6 PM

7.24.4.5 Non-recovery of outstanding insurance claims from NICL - Rs 299.453 million

Section-118 of the Insurance Ordinance, 2000 stipulates that it shall be implied term of every contract of Insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, including filing of complete papers, for claiming the payment, the Insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements, whichever is later, pay as liquidated damages.

As per Para-11.01 of the USC Stores Operational Manual, all the Warehouses and Stores were insured against the risk of fire, theft, and burglary to safeguard the interest of the Corporation and to avoid any financial loss. Therefore, a loss against such incidents was required to be recovered from the National Insurance Company (NIC) through insurance claims.

During the audit of USC for the year 2018-19, it was observed that management of USC has lodged 198 insurance claims on burglary/fire amounting to Rs 241.431 million with National Insurance Company Limited (NICL) uptill Dec 2018 including 8 major dacoity and fire claims which involve an amount of Rs 207.582 million. Furthermore, 104 Fidelity Guarantee/Embezzlement claims amounting to Rs 58.022 million were also pending. However, these claims revealed that only 21 claims amounting to Rs 10.789 million meet the criteria of FG insurance policy. The remaining 83 claims amounting to Rs 47.233 million did not qualify under FG policy. These claims had to be finalized within a period of 90 days under the above rule. It was further observed by audit that in 5th meeting of the Finance & IT Committee held on February 9, 2017 Chairman USC Board informed that the Board in the last two years had conveyed specific instructions to revise and increase the insurance limits and until these were revised additional coverage should be obtained. Chairman, emphasized that insurance cost benefit analysis should be done based on last four years' total premium paid and average claims received from insurance company. General Manager (Insurance) informed that at present 432 cases of Rs 302.78 million were under process with NICL. The Committee advised GM (Insurance) that

Muhammad Imran Shahid
Asst. Programmer
Monday, 24 February, 2025, 3:31:5 PM

keeping in view the discussions and previous Board resolutions, the subject matter should be presented to the Committee in its next meeting; net risk cost of USC should be determined by calculating the total premium paid and claims received against the insurance coverage during the last four years. The Committee also advised to rationalize the inventory at stores and warehouses to match the insurance limits and progress on the cases being perused with NICL should be regularly presented to the Committee. The Committee further advised GM (Insurance) that at the time of getting insurance coverage for the next financial year, quotations from other reputable insurance companies should also be obtained like EFU Insurance, Jubilee Insurance etc. This resulted into non recovery of insurance claims valuing Rs 299.453 million.

Audit was of the view that the claims amounting to Rs 299.453 million could not be settled due to slackness/negligence of the management. Non-recovery/settlement of insurance claims amounting to Rs 299.453 million is held irregular in audit. Audit was also of the view that management was required to actively pursue the above insurance claims but it failed to do the same and huge claims were pending with NICL without any active pursuance.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to effectively pursue the insurance claims of Rs 299.453 million and take the matter at administrative level so that the insurance claims can be finalized at the earliest.

7.24.4.6 Irregular procurement of branded sugar - Rs 94.64 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.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

During the audit of Utility Stores Corporation (USC) for the year 2018-19 it was observed that the management procured a quantity of 20 M. Ton branded sugar valuing Rs 94.64 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 from the suppliers. The detail of procurement is as under:

Sr #	PO #	Date	Name of Vendor	Amount (Rs in million)
1	1	23.05.2019	M/s Premier Sugar Mills	61.05
2	2	24.05.2019	M/s Chashma - I Sugar Mills	0.59
3	3	27.05.2019	M/s Chashma - II Sugar Mills	33.00
Total				**94.64**

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.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to state reasons of procurement of branded sugar in violation of above referred rules; stop further procurement without adopting/following PPRA rules and investigate the matter at administrative level to fix responsibility on person(s) at fault.

7.24.4.7 Loss to Govt exchequer due to corruption through embezzlement/ misappropriation by USC employees - Rs 40.463 million

As per Rule 4(3) of Public Sector Companies (Corporate G0overnance) Rule, 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, with the ordinance. Responsibilities of CEO include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025 3:31:6 PM

safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

As per Para (a) of Circular dated October 21, 2008, in case of detection of any shortage, misappropriation/ embezzlement at any store of Region for any reason whatsoever, the concerned Zonal Manager, Regional Manager, Accounts Officer and Area Manager shall render himself liable for disciplinary action and summary proceedings under the provision of special powers ordinance.

During the audit of USC for the year 2018-19, it was observed that management of USC issued orders regarding dismissal from services against two employees i.e. Mr. Masood Alam Niazi, Sr. GM (Insurance) and Mr. Ziaullah Khan Warsi, Accounts Officer in pursuance of directions of Ministry of Industries and Production w.e.f 11-10-2018 based on the judgement passed by NAB Court Karachi on that date regarding offence committed by both accused which caused loss to Govt. exchequer to the tune of Rs 19.237 million. Audit further observed that the accused Mr. Masood Alam Niazi, the then Zonal Manager, Karachi had misused his authority by making payment of Rs 19.237 million through transferring the same into the account # 1041-0081-004437-01-0 (Bank Al-Habib-Gulshan e Hadeed Branch Karachi) which was owned and operated by Co-accused Mr. Ziaullah Khan Warsi, the then Accounts Clerk, Karachi who was also deputed as incharge for lifting of sugar from pipri Godown of Trading Corporation of Pakistan (TCP). It is also added that the amount of Rs 19.237 Million was illegally transferred to the personal account of Mr. Ziaullah Khan Warsi by Mr. Masood Alam Niazi, the then ZM, Karachi on account of labour charges through the payment against these labour charges was not required to be paid by USC as the same was already paid by TCP to the handling agent i.e. M/s Badaruddin Terminal Karachi as per agreement between TCP and aforementioned handling agent. Thus both the accused misused their official authority and misappropriated an amount of Rs 19.237 million by showing fake payment on account of labour charges which caused loss to the public exchequer. It is also elaborated that both the accused were found guilty as per NAB court decision and sentenced to imprisonment of five years and seven years respectively along-with recovery of Rs 6.292 million.

It was also observed during audit that embezzlement/ shortage/ misappropriation of stock valuing Rs 21.226 million was detected in different regions but no recovery of the cost of embezzlement/misappropriation was made from respective store incharge despite lapse of considerable period.

Audit was of the view that lack of control and monitoring activities resulted in embezzlement/ misappropriation of stock valuing Rs 40.463 million (Rs 19.237 million + Rs 21.226 million) and non recovery thereof from the responsible.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to state reasons of non recovery and not taking any action against the accused and investigate the matter at administrative level and fix responsibility on person(s) at fault besides recovery of Rs 40.463 million from the accused/defaulters.

7.24.4.8 Illegal appointments in USC during ban period - Rs 17.50 million

In accordance with the Para-05 of the Service Rules of USC, all matters not provided for in these Rules shall be decided by the Board of Directors in light of the corresponding provision of the Government Rules. Whereas per Para-11 page-49 of the Esta code initial appointments to the post in basic pay scales 1 to 15 and equivalent, shall be made on the recommendations of Departmental Selection Committee after the vacancies have been advertised in newspapers. Furthermore, the Government of Pakistan, Finance Division, Expenditure Wing vide its O.M. No. F.7(I) Exp-IV/2011 dated March 18, 2011 intimated that there will be a total ban on recruitment. However, the cases of recruitment to posts which have already been advertised will be exempted.

During the regular audit of USC for the year 2018-19, it was observed that USC management made 11 appointments in BS-14 and BS-16 on consolidated pay ranging between Rs 20,000 to Rs 40,000 per month in April, 2011 on pick and choose basis. However, neither the posts were advertised in newspapers nor relaxation in ban from Establishment Division was obtained as required under the above referred criteria. The expenditure on pay Rs 17.50

million up to June 30, 2019 on the appointments made in violation of rules during ban period was considered irregular. In this regard a fact finding inquiry was also conducted and the case is pending in NAB Lahore.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to state reasons of such illegal appointment during ban period and not taking any action against the accused, investigate the matter at administrative level and fix responsibility on person(s) at fault.

7.24.4.9 Irregular payment of pay & allowances due to irregular appointment of officer - Rs 6.03 million.

Finance Division vide OM dated Jun 29, 1999 and Sep 17, 2001 circulated a policy regarding revision of pay, allowances and perquisites for the employees of Autonomous/semi-autonomous bodies, corporations etc. working under the administrative control of Federal Government. As per this policy, salaries, allowances and perquisites of such institutions should be revised by their respective Board of Directors. However, clearance from Finance Division would be necessary to ensure a rational basis and a degree of uniformity in revisions.

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 and all selections should be made 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 give in favor of any individual.

In accordance with the para-05 of the service Rules of USC, all matter not provided for in these Rules shall be decided by he Board of Directors in light of the corresponding provision of the Government Rules. Whereas per para-11 page-49 of the ESTA code initial appointments to the post in basic pay scales 1 to 15 and equivalent, shall be made on the recommendations of Departmental selection committee after the vacancies have been advertised in newspapers. Furthermore, the Government of Pakistan, Finance Division, and expenditure wing vide its O.M No. F.7(I) Exp-IV/2011dated March 18, 2011 intimated that

Monday, 24 February, 2025 3:31:6 PM Muhammad Imran Shahid Asst Programmer

there will be a total ban on recruitment. However, the cases of recruitment to posts which have already been advertised will be exempted.

During the audit of Utility Stores Corporation (USC), for the year 2018-19, it was observed that the management appointed Ch. Ghanj-e-Murtaza Mohsin as Data Entry Operator (BPS-9) on February 24, 2007 on contract basis for a period of one year. The following irregularities were observed:

1. The post was not advertised in newspaper.
2. The candidate possessed intermediate qualification and few months experience as against required qualification of Bachelors with some experience.
3. The post of Data Entry Operator was not existed/sanctioned.
4. Just after expiry of the contract period i.e. February 23, 2008, the concerned officer was re-appointed as Establishment Assistant (BPS-11) on March 06, 2008 without advertisement in newspaper and without required qualification of Graduate with three years experience which is a violation of USC Service rules/Government instructions.
5. In March 01, 2010, his employment was converted from Contractual to Regular basis without any criteria/policy in violation of Govt. policy.
6. In September 2011 just after few months, he was further promoted as superintendent in BPS-16 w.e.f August 13, 2011 without following promotion policy and without acquiring qualification of Graduate.
7. In December 2014 his post of Superintendent was upgraded from BPS-16 to BPS-17 without following Govt instructions.
8. In May 2016 his post of Superintendent was re-designated as "Assistant Company Secretary" by the BOD in its 134th Meeting without advertisement and without following the USC re-designation policy.
9. The officer was allowed special compensation allowance w.e.f Mar 01, 2009 @ Rs 1,500 P.M.Which was enhanced to Rs 2,000 P.M in 2011 and further enhanced to Rs 15,000 and Rs 25,000 per month during 2011 to 2019 without getting concurrence from Finance Division.
   The plea of the management that the said allowance had been approved by the USC Board of Directors is not based on facts as the USC had adopted pay scales of the Government of Pakistan and was bound to follow the rules and regulations issued by the Government of Pakistan in this regard.

Audit was of the view that the appointment of the officer and payment of pay & allowances amounting to Rs 6.03 million (Rs 5.010 million as pay &

Muhammad Imran Shahid
Asst. Programmer
Monday, 24 February, 2025 3:31:6 PM

allowances and Rs 1.02 million on account of Special compensation allowance) was irregular.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to state reasons of not following the USC Service Rules and Govt instructions while making appointment of the said employee, investigate the reasons of such irregular appointment and subsequent promotions and to fix responsibility on persons at fault, state reasons of granting and payment of special compensation allowance without getting concurrence from Finance Division besides recovery thereof.

7.24.4.10 Likely misappropriation due to non production of record

As per Clause-14 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001:

(1)The Auditor-General shall, in connection with the performance of his duties under this Ordinance, have authority—

(a) to inspect any office of accounts, under the control of the Federation or of a Province or of a district, including treasuries, and such offices responsible for the keeping of initial or subsidiary accounts;

(b) to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection; and

(c) to enquire or make such observations as he may consider necessary, and to call for such information as he may require for the purpose of the audit.

(2) The officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

(3) Any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

During audit of Utility Stores Corporation (USC) for the year 2018-19, Audit demanded record/ data through requisitions but certain record/ data was not provided by the management despite written and verbal reminders. The attitude of the officers/ officials of corporation was non-cooperative. Therefore, audit was unable to complete the audit assignment satisfactorily.

Audit was of the view that management was required to take action against the officers/ officials who hindered the auditorial function but no such action was taken by the management which is objectionable.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends to explain the reasons for the non-production of record, fix responsibility for the non-production of record, initiate disciplinary action against the persons responsible under intimation to audit.

7.24.4.11 Loss due to unauthorized appointments and undue retention of staff beyond sanctioned strength

According to Circular Order No A&P – 5/86 dated Apr 02, 1986 vacancies in all scales, occurring at the Divisional (now Zonal/Regional) level shall be reported to Head Office immediately. The appointments against such vacancies shall be made by observing the laid down procedure with the approval of Head Office in each case.

During the audit of Utility Stores Corporation for the year 2018-19, it was observed that 9,756 employees were working in 42 regions of USC in different categories against sanctioned/authorized strength of 7,662 resulting into excess of 2,094 employees. The excess strength of employees caused extra burden on Corporation which further deteriorated financial position of the Corporation. The details of 2,094 employees and payments were not provided to audit. Audit was of the view that undue favour was extended to the employees at Corporation cost. This indicates weak internal controls.

Audit was of the view that the payment of salary to these un-authorized employees for the last several years showed that there was no financial discipline/control in USC budgetary matters. The budget under the head of Salary

Muhammad Imran Shahid
Asst Programmer
Monday, 24 February, 2025, 3:31:6 PM

& Wages was not being allocated to the Zonal/Regional Offices as per sanctioned/available strength. The said indiscipline in financial/budgetary matters leads to such type of irregular appointments at Regional office levels. The possibility of ghost employment in said irregular appointments could not be ignored. Therefore, appointment/undue retention of 2,094 employees was considered unauthorized and payment on account of salary amounting to millions of rupees is, therefore, irregular.

Request for conducting DAC meeting was made on 15 January, 2020. However, the management failed to hold DAC meeting till finalization of this report.

Audit recommends that matter needs to be investigated by constituting an independent inquiry committee at administrative level and fix responsibility.

Audit further recommends that management may bring the total strength of staff at or below approved sanctioned strength. Action may also be taken against the responsible for violating the USC approved sanctioned strength.

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM

Muhammad Imran Shahid
Asstt Programer
Monday, 24 February, 2025, 3:31:6 PM