



**CONSOLIDATED AUDIT REPORT
(FEDERAL GOVERNMENT)**

**FOR THE
AUDIT YEAR 2023-24**

AUDITOR GENERAL OF PAKISTAN

Chapter-9

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

Audit Profile of Ministry of Industries & Production

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	13	11	115,600.665	262,603.675
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 602,317.209 million were raised as a result of this audit. This amount also includes recoverable of Rs 11,924.89 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	802.16
2	Reported cases of fraud, embezzlement and misappropriation	283.617
3	Irregularities:	
A	HR/Employees related irregularities	174.791
B	Procurement related irregularities	10,788.425
C	Management of accounts with Commercial Banks	111.195
4	Value for money and services delivery issues	11,2617.974
5	Others	477,539.047

9.1 Export Processing Zones Authority

9.1.1 Introduction

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

9.1.2 Comments on Audited Accounts

9.1.2.1 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 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2010-11 to 2022-23 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

9.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2000-01	1		1	194	-
2009-10	8	7	1	96	88%
2010-11	8	4	4	11.1.4.1, 11.1.4.2, 11.1.4.3, 11.1.4.5	50%
2013-14	1	1			100%
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%
2019-20	6	1	5	7.1.4.1, 7.1.4.2, 7.1.4.3, 7.1.4.4, 7.1.4.5	17%
2017-18				10.1.4.2	

2021-22	22		20	8.1.4.3, 8.1.4.10, 8.1.4.15, 8.1.4.20 (remaining to be discussed in PAC)	8.1.4.8, 8.1.4.6, 8.1.4.17,	
Total	71	15	54			21%

The overall compliance of PAC directives needs improvement.

9.1.4 Audit Paras

9.1.4.1 *Loss of foreign exchange earnings due to non-achievement of committed exports and zero export – Rs 103,946.150 million (Equivalent to USD 358.435 million)*

As per part H of Export Projections for five years of Application form of investors for setting up an industrial / trading unit an investor is required to mention committed annual export which must be maintained. The investors are bound to follow their commitments in case they retain the allocated land.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that management failed to get committed export targets achieved by various investors during the year. Out of 293 units at KEPZ, 220 units could not achieve committed export targets. The details of loss is as under:

Amount in USD million			
No. of investors	Committed export targets	Actual exports	Non-achievement of export target
220	461.00	102.565	358.435

Further, 106 units in KEPZ failed to export even a single product since their allotments i.e. year 2011-12.

Audit is of the view that non-achievement of committed exports and zero export by investors depicted the slackness on part of management, which eventually resulted in loss of foreign exchange earnings amounting to Rs 103,946.15 million (USD 358.435 million @ Rs 290).

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. Management informed the DAC that action against 106 units had been taken, out of which 12 were under litigation, 22 units had requested for sale of their units and remaining 72 units were under observation. DAC directed the management to submit revised reply.

Audit recommends the management to justify the matter.

(DP No. 644, 647 & 649)

9.1.4.2 *Non-approval of budget from the Federal Government –*
1886

Rs 3,088.470 million

According to clause 22 of the EPZA Ordinance, in the month of January each year, the Authority shall submit to the Federal Government for approval a statement of the estimated receipts and expenditure in respect of the next financial year in such manner and form as may be prescribed.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management did not obtain approval of the Federal Government for the Statements of the estimated receipts and expenditure. The detail is as under:

(Rs. in million)		
S #	Description	Actual 2022-23
1	Total Revenue	4,012.410
	Total	4,012.410
2	Operating Expenditure	2,874.330
3	Capital Expenditure	51.140
4	Development Expenditure	163.000
	Total	3,088.470

Audit is of the view that the management violated the provision which reflects negligence and slackness. Thus, expenditure of Rs 3,088.470 million was held irregular.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. The management informed the DAC that public Sector enterprises has to submit their annual budget to their respective Board for approval before sending it to Federal Government. The Board was in active from September 2019 till its formation in February 2023 and as per EPZA Ordinance the Chairman EPZA is empowered to approve the routine affairs of the Authority or budgets subject to ex-post facto approval of EPZA Board of Directors. Therefore, no power has the right to contest the power of the Chairman given by the ordinance as irregular. The DAC directed the management to get its budget approved as per EPZA ordinance and copy of approved budget be furnished to Audit.

Audit recommends implementation of the DAC directives.

9.1.4.3 Irregular export in tariff area in excess of allowed limit – Rs 1,956.05 million (Equivalent to USD 6.745 million)

According to rule 228(5) of Custom rules 2001, the units established in the Export Processing Zone shall export only up to twenty percent of their total production to tariff area in Pakistan while eighty percent shall be exported to other countries.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that various investors were exporting in tariff area beyond the allocated limit of 20%. It was

observed that 21 investors exported products amounted to USD 9.749 million in tariff area, being in excess by Rs 1,956.050 million (Equivalent to USD 6.745 million @ Rs.290) beyond allowed limit and in violation of above-mentioned custom rule, which subsequently pointed towards the failure of management to monitor the trading activities or exports of the investors in accordance with rules and subsequent inaction against delinquents (Annex-57).

Audit is of the view that failure of management to monitor the exports of investors in accordance with rules has resulted in irregular exporting of products in tariff area beyond allocated limit.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. Management informed the DAC that cases of export in tariff area were allowed as per various circulars except one case, which was erroneously allowed and same would be adjusted in export of FY2023-24. DAC directed the management to take action against erroneously allowed case along with verification of record/facts from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.4 Irregular export to tariff area beyond permissible limit – Rs 1,774.220 million (USD 6.118 million)

Section 228 (5) of Customs Rules, 2001 states that units established in Export Processing Zones shall export only up to 20% of their total production to tariff areas in Pakistan while 80% shall be exported to other countries.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that management did not take any action against four (04) investors involved in export of 100% of its production to tariff area in Pakistan against the allotted 20% of total exports as detailed below:

S#	Unit name	Amount in USD			
		2021-22		2022-23	
		Export to tariff	Export to abroad	Export to tariff	Export to abroad
1	Home Furnishing Ltd	2,282,317.72	0.00	1,357,519.54	0.00
2	Afuso Packaging & Printing Industry. (PH-II)	107,479.87	0.00	98,437.20	0.00
3	Eram Fashions (Pvt) Ltd.	80,570.00	0.00	329,800.00	0.00
4	Steel Vision (Pvt.) Ltd.,	1,278,832.65	0.00	582,560.30	0.00
	Sub Total	3,749,200.24	0.00	2,368,317.04	0.00
	Total	6,117,517.28			

Audit is of the view that exporting all its products to tariff areas in Pakistan depicts internal control weakness and slackness of management. Hence, exports amounting to Rs 1,774.220 million (USD 6.118 million @ Rs.290) stands irregular.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. Management informed the DAC that exports under mentioned cases did not fall under 80:20 ratio and were exempted, hence they were allowed by the Authority. DAC directed the management to verify the record from Audit.

Audit recommends implementation of the DAC directives.

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9.1.4.5 Sale / Purchase of unit without obtaining NOC – Rs 1,440.000 million

Clause 235A of the Customs EPZ Rules, 1981 (S.R.O.450(I)/2001, Dated 18.6.2001) states that no transfer of ownership by an investor or industrial undertaking of its unit or cancellation of license shall be finalized by the Authority without prior issuance of NOC from the Collector of Customs.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management approved sale / purchase of M/s Casual Sportswear located on plot No. 1,2,3,4,14,15,16 & 17 measuring 8,000 square meter along with structure / building to M/s Ghanchi Recycling Limited as an industrial unit for manufacturing of denim garments, sports/fashion wear garments with committed export of Rs 1,440.000 million (US \$ 8.00 million per annum @ Rs.180) on July 13, 2021 without getting NOC from the Collector of Customs.

Audit is of the view that the management violated the rules in the sale / purchase of property which reflects gross negligence.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. The management informed the DAC that the amendment was made by the Customs Authorities without intimation to EPZA and same was also not officially communicated to the EPZA. The then management was unaware about it. Therefore, the case was processed and approved as per EPZA Rules. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.6 Unjustified approval of investment proposal and clandestine removal of duty-free goods – Rs 1,113.600 million (US \$ 4.80 million per annum)

According to clause 2 of approval of sale/purchase letter dated May 10, 2017 issued by M/s EPZA for setting up an industrial unit for manufacturing of cigarettes and allied tobacco products in REPZ with a committed export of US \$ 4.80 million per annum.

According to Custom EPZ Rules, if any importer fails to give proper account of the imported goods, the importer shall pay on demand an amount equal to the duties and taxes leviable thereon and shall also be liable to pay penalties imposed for such violation.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that M/s China Pakistan Tobacco Pvt. Ltd submitted an investment proposal at EPZ, Risalpur on 19-07-2017 for the category of warehouse/trading for tobacco products imports from China and export to potential market abroad. Whereas, case was approved as an industrial unit for manufacturing of cigarettes and allied tobacco products against the proposal submitted on May 10, 2017 with the export commitment of US \$ 4.80 million per annum. However, the said company was incorporated with the Securities and Exchange Commission of Pakistan (SECP) on May 26, 2017 and the investor did not submit any feasibility report showing manufacturing capacity / ability of Tabacco, plant/machinery, financial statements, factory layout, etc. Furthermore, the investor did not have license of brand name “CPT Cigarette”.

Later on June 20, 2019, Customs Mardan visited the site for inspection of imported goods and found that foreign origin goods lying in the premises and seals of the certain cans containing cigarette flavors were not intact (160 gallons out of 214 gallons of cigarette flavors were de-sealed containing water in it). Then, samples were referred to PCSIR Lab. Peshawar which confirmed that clandestine removal of original contents of cigarette flavors material from 160 cans. The broken seal containers were seized under section 168 of the Customs Act, 1969 and handed over to EPZA authorities. Thereafter, notice was served to the investor for punishable acts and for recovery of duty/taxes leviable on short goods.

Audit is of the view that approval was given of industrial / manufacturing instead of warehouse / trading for manufacturing of cigarettes and allied tobacco products and clandestine removal of duty-free goods poses a revenue loss for the government as duties and taxes have been evaded.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. The management informed the DAC that investor initially submitted an investment proposal with the company name M/s. China Pakistan Tobacco Company to set up an industrial unit. Later, on 19-7-2017, the investor submitted another investment proposal for trading activity on the same plot. Audit team only examined the matter of trading activity and didn't check earlier investment proposal for manufacturing. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 675 & 676)

9.1.4.7 Sale of unit without codal formalities – Rs 464.000 million (US\$ 2.000 million)

According to clause 2 of the EPZA guidelines for industrial units that the applicant shall attach the documents with the industrial sector proposal: 1. Description of manufacturing process, marketing arrangements etc. 2. List of plant, machinery, equipment 3. List of furniture and fixture 4. Articles/memorandum of association & 5. Partnership deed.

According to clause 2 of approval of sale/purchase letter dated September 27, 2016 issued by M/s EPZA for setting up a warehouse/trading and industrial unit cigarettes in KEPZ with a committed export of US\$ 2.00 million per annum.

During audit of Export Processing Zone Authority (EPZA) Karachi for the year 2022-23, it was observed that M/s Golden Cigarette Company Limited was approved as industrial unit for manufacturing of cigarettes at plot No 9 & 10, Sector C-V measuring 2,000 square meters vide letter dated 09-02-1999. Following irregularities were observed at the time of sale to M/s Ali Industries Pvt. Ltd:

- The unit was sold to M/s Ali Industries Pvt. Ltd in September, 2016 without obtaining NoC
- M/s Ali Industries Pvt. Ltd was not registered with the SECP at the time of sale.
- The company was incorporated on May 11, 2018 with the name of M/s S.M Ali Industries Pvt. Ltd instead of M/s Ali Industries Pvt. Ltd.
- Investor's import / export performance in last five year was Nil against the committed export of US\$ 2.00 million per annum.

Audit is of the view that the management extended undue favor to the investor which reflected negligence and slackness.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. The management informed the DAC that it was an inadvertent omission that SECP registration was not called for before executing License Agreement. However, investor was repeatedly asked to provide SECP registration vide letters dated 07.09.2017, 17.04.2018. The said name i.e. M/s Ali Industries was already registered in SECP, so they reserved the name M/s S.M. Ali Industries Private Limited. Then the investor submitted a request for change of name and was considered. Action against the unit regarding nil business activity was taken but investor has submitted undertaking for revival of business activity; therefore, time was granted. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.8 Non-recovery of outstanding dues from various investors – Rs 173.962 million

According to license agreement with various investors for rented out property, 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 each year. Similarly, the utilities bills were also to be recovered on due dates and in case of non-payment of two or three consecutive bills the utility services would have to be suspended in order to recover the outstanding balances and to avoid their heavy accumulation.

According to clause 31 of license agreement, the investor shall bound to pay (in addition to the rents hereby reserved) to the authority as it may direct all taxes, rates, assessments, duties, charges and impositions whatsoever now are, or during the said term shall be charges or imposed upon or be payable in respect of the demised land or any building, erection or structure or the plant, machinery, engines or other matters and things in relation to the investor's factory or business, to be determined by any lawful authority.

During the audit of Export Processing Zones Authority (EPZA), Karachi for the year 2022-23, it was observed that an amount of Rs 173.962 million (USD 518,927) was outstanding against investors on account of Annual Ground Rent (AGR), Water & Electricity charges, change of name dues and workers' pay (Annex-58). The brief summary is as under:

(Rs in million)

S#	Description	Outstanding (USD)	Outstanding (Rs)	Remarks
1	AGR	498,728.5	144,631,259	Outstanding Utility and Annual Ground Rent (AGR) from various Investors
2	Water Charges	379.4	110,029	
3	Electricity Charges	10,819.2	3,137,571	

4	Change of name	10,000.0	1,600,000	M/s EPZA on dt: May 25, 2018 requested M/s Ali Industries Pvt. Ltd. for submission of Articles/Memorandum of Association, (after 02 years of approval). Registration certificate of dt: May 11, 2018 with the name of M/s S.M Ali Industries Pvt. Ltd instead of M/s Ali Industries Pvt. Ltd was submitted. Then, EPZA demanded US \$ 10,000 vide letter dt: March 10, 2020 for change of name.
5	Workers' pays	-	24,483,000	Sale/purchase of M/s Casual Sportwear to M/s Ghanchi Recycling Limited vide letter dt: July 13, 2021 and Rs. 24.483 million on account of workers' pay was outstanding towards M/s Casual Sportwear (previous owner).
Total		519,927.1	173,961,859	

Audit is of the view that the management's failure to recover outstanding dues from various investors tantamount to internal control weakness and loss of revenue of Rs.173.962 million (USD 519,927.1).

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024.

- The management informed the DAC that various cases of outstanding dues were under litigation and Take Over cases. Moreover, management recovered USD 3,920. DAC directed the management to make rigorous efforts for recovery of dues and follow up of litigation cases.
- The management informed the DAC that various cases of outstanding dues were under Sick/Closed and Litigation cases. Moreover, management recovered USD 24.14. DAC directed the management to make vigorous efforts for recovery and follow up of litigation cases and share the progress with Audit.
- The management informed the DAC that an invoice was raised on dt: 10th March, 2020 and investor had paid amount US\$ 10,000/- on dt: 01-09-2020. DAC directed the management provide the relevant record to Audit for verification.
- The management informed the DAC that investor has paid the said amount to employees. DAC directed the management provide the relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

(DP No.643, 648, 671 &672)

9.1.4.9 Tax evasion due to non-verification of credentials at the time of export to tariff area – Rs 138.559 million

Section 32(1) (a) of Customs Act, 1969 stipulates that, if any person, in connection with any matter of customs, makes or signs or causes to be made or signed, or delivers or causes to be delivered to an officer

of customs any declaration, notice, certificate or other document whatsoever, [knowing or having reason to believe that such document or statement is false] in any material particular, he shall be guilty of an offence under this section.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that investors of KEPZ namely, M/s. Steel Vision Pvt. Ltd and M/s. Royal Impex Pvt. Ltd having business of import and export of steel sheets were involved in tax evasions on various occasions. However, at the time of their export to tariff area, they mis-declared the wrong Pakistan Customs Tariff Code (PCT) in various export Good Declaration (GDs), thereby fraudulently declaring goods as of “Prime quality” as opposed to actual “Secondary quality” in order to evade and attract lower tax rates and custom duties. Detail of tax evasion by both investors is as follows:

Rs.in million				
Description (Rs in million)	M/s. Steel Vision		M/s. Royal Impex	
	Case-1	Case-2	Case-1	Case-2
C&F Value declared	103.771	44.494	49.434	179.516
Actual C&F value	128.821	45.848	56.773	198.043
Declared PCT number	7210.3090	7209.1610	7209.1690	7210.3090
Actual PCT number	7210.3010	7209.9090	7209.1610	7210.3010
Tax/duties actually payable	79.281	27.383	34.940	121.884
Tax/duties paid	49.613	12.442	11.353	51.521
Tax/duties evaded	29.668	14.941	23.587	70.363
Total tax evasion				138.559

Audit is of the view that improper monitor mechanism to verify the credentials of GDs at the time of export to tariff area resulted in tax evasion by investor and subsequent loss to Government’s revenue.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. Management informed the DAC that it was responsibility of Customs to examine and evaluate the consignment and issue the assessment report as per GD file by the investor. EPZA had no access to examination. Moreover, said cases were allowed after court order. DAC directed the management to verify the record from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.10 Revenue loss on account of electricity line losses – Rs 111.191 million

Rule 15(1) of EPZA Rules, 1981 states that the Authority shall undertake to provide infrastructure facilities such as electricity, water, gas, telephone and telex which are considered necessary for efficient industrial operations in a Zone, provided that the cost of providing such facilities shall be borne by industries set up in a Zone.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that there were huge line losses of electricity units accumulating to 3.460 million units amounting to Rs.111.191 million in various months of the year as detailed below:

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Amount in Rs							
S. #	Billing Month	Total units charged by K-E	Amount paid by EPZA to KE	Total Units charged by EPZA	Total Amount received by EPZA	Loss (Units)	Loss (Amount)
1	Jun-22	5,844,226	197,156,476	5,391,218	150,468,426	453,008	46,688,049
2	Jul-22	5,225,760	163,891,238	4,426,330	143,648,450	799,430	20,242,788
3	Aug-22	5,008,901	209,426,985	4,653,462	198,099,139	355,438	11,327,846
4	Sep-22	5,218,945	194,226,085	4,700,905	177,596,115	518,040	16,629,971
5	Oct-22	4,882,872	118,830,849	4,589,719	113,696,772	293,153	5,134,077
6	Nov-22	4,580,604	105,508,936	4,142,946	102,716,109	437,658	2,792,828
7	Dec-22	3,961,003	104,021,764	3,773,586	104,412,012	187,417	-390,248
8	Apr-23	4,516,083	167,355,549	4,099,766	158,589,988	416,317	8,765,561
Total		39,238,393.62	39,238,394	1,260,417,882	35,777,932	1,149,227,012	3,460,462

Audit is of the view management's failure to control line losses had resulted in loss of Rs. 111.190 million. These distribution losses may have caused due to meter tampering and bypassing, false meter readings, faulty meters, and un-metered supply.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that EPZA had one main distribution MDS station and eight DSs in KEPZ Phase-I, whereas six DSs in KEPZ phase-II as EPZA was working as a distributor / distributing the electricity to the investor through DSs. Moreover, in order to recover the loss of Rs. 111 million, EPZA issued the supplementary bills to the investors and the investors had taken the stay from the Court but the instance of the EPZA was not accepted by the Court. DAC directed the management to submit revised reply.

Audit recommends implementation of the DAC directives.

9.1.4.11 Unjustified imposition of water charges on fixed rate – Rs.110.403 million

Rule 4(3) 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, in accordance with the Act and these rules.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that Karachi Water and Sewerage Board (KWSB) was charging fixed number of gallons of water unjustifiably. It was noted that the transmitter of electromagnetic water meter was stolen on 16-11-2021. Afterwards, it was observed that management had not procured the said transmitter till date. Due to absence of transmitter and faulty electromagnetic water meter, actual number of gallons of water could not be determined. Subsequently, KWSB charged EPZA with fixed number of gallons on a higher side. Detail of water charges imposed by M/s. KWSB is as follows:

S#	Billing month	Invoice month	Number of gallons	Amount (in Rs.)
1	Jun-22	Jul-22	22,871,860	8,508,340
2	Jul-22	Aug-22	22,871,860	9,263,111
3	Aug-22	Sep-22	22,871,860	9,263,111
4	Sep-22	Oct-22	22,871,860	9,263,111
5	Oct-22	Nov-22	22,871,860	9,263,103
6	Nov-22	Dec-22	22,871,860	9,263,111
7	Dec-22	Jan-23	22,871,860	9,263,111
8	Jan-23	Feb-23	22,871,860	9,263,111
9	Feb-23	Mar-23	22,871,860	9,263,111
10	Mar-23	Apr-23	22,871,860	9,263,111
11	Apr-23	May-23	22,871,860	9,263,111
12	May-23	Jun-23	22,871,860	9,263,111
Total			274,462,320	110,402,554

Audit is of the view that management's failure to secure its assets initially and subsequently non-procurement of said transmitter resulted in fixed and higher water charges by KWSB instead of actual consumption. Hence, audit considers payment on account of water charges by EPZA as unjustified.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that it had invited bids for procurement of transmitter of electromagnetic water meter three times and same were cancelled due to various reasons. However, same was procured and installed in June, 2023. Moreover, management would adjust extra water bills with KWSB in future after monitoring the trend of utilization of water. DAC directed the management to get the water bills adjusted with KWSB within two months and verify the progress from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.12 Delay in payment of contribution and imposition of penalty – Rs.108.842 million

Section 13(1) of chapter 3 of EOBI Act, 1976 states that if any employer fails to pay, on the due date, the contribution payable by him, the amount so payable by him shall be increased by such percentage or amount as may be prescribed, provided that in no case shall such increase exceed fifty per cent of the amount due. (2) Without prejudice to any other remedy, the amount of contribution due, together with the increase provided for under sub-section (1), may be recovered as arrears of land revenue.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that management voluntarily registered with Employees Old-Age Benefit Institution (EOBI) for

post-retirement benefits of employees in March, 2020 after getting approval from Board of Directors. A No Objection Certificate (NOC) was required as per EOBI Act. However, management applied for NOC from Ministry of Industries and Production (MoIP) after lapse of two years in March, 2022, which was duly issued by the MoIP in August, 2022. Subsequently, EOBI issued show-cause notice for payment of contribution amounting to Rs.74.024 million along with penalty of Rs.34.818 million for delayed payment. Management requested for waiver of penalty, which was not granted by EOBI due to want of any provision in their law. Resultantly, instead of paying the amount, management proposed to BOD for cancellation of EOBI registration in order to cover the delay.

Audit is of the view that delay on part of management for getting required NOC from ministry has resulted in imposition of penalty by EOBI amounting to Rs.108.842 million.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that due to non-availability of Chairman, EPZA could not send the case to MOIP for issuance of NOC as demanded by EOBI. Moreover, management voluntarily opted for EOBI registration and employees were not ready to pay the penalty amount. Hence, management decided to withdraw from EOBI scheme. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.13 Illegal removal of foreign origin fabric on fraudulent sub-contracting - Rs.79.072 million

Section 32A (1) related to fiscal fraud of Customs Act, 1969 states that if any person, in connection with any matter related to customs- (a) causes to submit documents including those filed electronically, which are concocted, altered, mutilated, false, forged, tempered or counterfeit to a functionary of customs; (b) declares in the [goods declaration] electronically filed customs declaration, the name and address of any exporter or importer which is physically non-existent at the given address; (c) declares in the [goods declaration] electronically filed customs declaration, an untrue information regarding payment of duties and taxes through self-assessment,] description, quantity, quality, origin and value of goods, he shall be guilty of an offence under this section.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management could not prevent the illegal removal of foreign origin fabric from KEPZ to tariff area. The owner of unit, M/s. Laiba Industries Pvt. Ltd, illegally removed the foreign origin fabric from KEPZ to tariff area on 25-11-2020 in the garb of dyeing purpose. Gate pass was issued in favor of M/s. Ahmed Dying showing the delivery / transportation of textile fabric weighing 20,700 kgs. Furthermore, M/s. Ahmed Dying was a fake company which did not exist. The illegally removed fabric was offloaded at a private godown M/s. United Enterprises which was later searched by Custom Authorities where fabric weighing 47,155kg was found, which was illegally removed from KEPZ through various gate passes. Subsequently, Custom authorities confiscated the fabrics and imposed penalty of Rs.1.000 million on the investor and CIF value of illegally removed fabric was Rs.79.072 million.

Audit is of the view that illegal and fraudulent removal of foreign origin fabric from KEPZ to tariff area through a gate pass issued on a fake company depicted control weaknesses.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that it was the responsibility of the Custom Authorities to examine and approve sub-contracting and verify the company in tariff area from whom the work would be carried out. EPZA was only issuing the sub-contracting gate pass as per approval of Custom Authorities. The matter was now in customs court and sub judice. DAC directed the management to share progress of court proceedings with Audit.

Audit recommends implementation of the DAC directives.

9.1.4.14 *Illegal transportation of goods into KEPZ through fiscal fraud– Rs.56.773 million*

Rule 11(4) of Export Processing Zones Authority Rules, 1981 states that all imports into the Zones shall be paid for out of the importers own foreign exchange resources abroad without involving, either directly or indirectly, Pakistan resources. Moreover, Rule 9-A of EPZA Rules, 1981 states that if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that an investor M/s. Royal Impex Pvt. Ltd, was involved in tampering and submission of fabricated import documents for transportation of goods to KEPZA illegally. M/s. Muhammad Rizwan and Brothers imported iron and steel sheet in coils (CRC) from South Korea and paid the amount from Pakistan resources for import of consignment into Pakistan not in KEPZ (foreign territory). However, M/s. Royal Impex Pvt. Ltd, through mutual conspiracy with lawful importer / owner arranged manifestation of the cargo for KEPZ in their name while tampering the commercial invoice (under-invoicing) and packing list. Moreover, in order to conceal the legal importer, they also concealed LC details. Subsequently, Custom Authorities filed FIR against the investor. However, the management neither identified illegal transportation of imported goods into the KEPZ nor took any action against the investor. Detail of imported goods is as follows:

Description	USD	Rs. in million
C&F value (as per actual commercial voice)	420,193	56.773
C&F value of imported goods (as per tempered commercial voice)	390,179	49.434
Tempering/fiscal fraud	30,014	7.339

Audit is of the view that management's failure to identify illegal transportation of imported goods into the KEPZ initially and subsequent detection of mis-declaration or tempering in import documents reflected serious internal control weaknesses.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that it was responsibility of Customs to examine and evaluate the consignment and issue the assessment report as per GD file by the investor. EPZA had no access to examination and all Import documents were found correct without any tampering at the level of Authority. Moreover, said cases were allowed after court order. DAC directed the management to verify the record from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.15 Loss of revenue due to tax and custom duty evasion – Rs.39.488 million

Section 32B of Customs Act, 1969 stipulates that, where any person has committed a duty or tax fraud, the Collector [or Director] may, with the prior approval of the Board, either before or after the institution of any proceedings for recovery of duty or tax, compound the offence if such person pays the amount of duty or tax due along with penalty as is determined under the provisions of this Act.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the Government sustained losses of Rs.39.489 million due to tax and custom duty evasion by M/s. Laiba Industries on account of removal of foreign origin fabric amounting to Rs.79.072 million from KEPZ to tariff area as detailed below:

Tax/duties on goods	(Rs. in million)
Custom Duty@16%	12.651
Add. Customs duty @ 04%	3.163
Regulatory duty @2.5%	1.977
S. Tax @17%	16.467
Add. S. Tax @03%	2.906
Income tax @02%	2.325
Total	39,489

Audit is of the view that illegal removal of assorted foreign origin fabric by investor had resulted in loss of public exchequer on account of fraudulent evasion of taxes and duties.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC that the matter is in Court of Law. The Authority will take appropriate action after finalization of court case. The DAC directed the management to pursue court case vigorously and share progress with Audit.

Audit recommends implementation of the DAC directives.

9.1.4.16 Illegal storage of goods in neighbor's premises - Rs.26.078 million

Rule 9-A of EPZA Rules, 1981 states that if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under

sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that M/s. General Tobacco Company illegally dumped goods in another investor's unit. Reviewing the custom report, it was noted that said investor imported 78 pallets of tipping papers weighing 49,260 kg amounting to Rs.26.078 million through Goods Declaration No. PQZI-EP-4622-28-08-2021 and PQZI-EP-6186-15-09-2021 during Aug and Sep 2021 and stored/dumped the goods illegally in premises of nearby inactive unit, namely M/s. Sitara Trading. After few days, said investor removed some of the quantity of dumped tipping papers from the Zone illegally. Later on, upon visit and investigation by Custom authorities, said investor denied importing the said items and filing of mentioned GDs by stating that his Custom user ID and password was misused and in the due course flew away out of the country during investigation by Custom authorities. Subsequently, custom authorities searched the premises of investor's neighbor, M/s. Sitara Trading and found and consequently seized 28 pallets of tipping paper weighing 14,535 kg valuing Rs.10.349 million. It was observed that EPZA did not cancel its license despite of illegal dumping of goods in other investor's premises and illegal removal of goods from the Zone.

Audit is of the view that management unduly favored the investor by not taking any severe action there against for his illegal actions of un-authorized dumping of goods in neighbor's premises without his consent and subsequent removal of goods from the Zone illegally.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that examination, clearance, imposition of duties and taxes on the material rested with Custom Authorities and management was unaware of illegal movement of the consignment. Moreover, the case is under litigation. DAC directed the management to submit revised reply and enquire the matter while taking appropriate action against involved investor.

Audit recommends implementation of the DAC directives.

(DP No. 650 & 652)

9.1.4.17 Loss on account of water pilferage – Rs.19.164 million

Rule 2A (1) of Public Sector Companies (Corporate Governance) Rules, 2013 states that 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 audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management could not prevent water losses amounting to Rs.19.164 million for 73.705 million gallons of water as detailed below:

Description	Number of gallons (in million)	Amount (Rs. In million)
Payment on account of water	274.462	110.403

Charge/collection of water	200.757	91.249
Water losses	73.705	19.164

Audit is of the view that management's failure to prevent and control water pilferage had resulted in loss of Rs.19.164 million due to leakages and theft at fire hydrants, faulty meter or absence of meters at various places, and pilferage in water lines.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that due to non-functioning of electromagnetic water meter, KW&SB has raised /issued water billing to Karachi Export Processing Zone on the basis of pervious highest meter reading. Hence EPZA had issued the average bill to the KEPZ investors on the basis of enhanced billing of KWSB for which EPZA issued supplementary bill. Moreover, management would adjust extra water bills with KWSB in future after monitoring the trend of utilization of water. DAC directed the management to submit revised reply and get the water bills adjusted with KWSB within two months and verify the progress from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.18 Enlistment of hospitals without competitive bidding – Rs.5.453 million

Rule 15 (1) of PPRA, 2004 states that a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects.

Rule 20 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that amount of Rs.5.453 million was paid to following 11 hospitals on account of medical facility provided to employees without following due process of competitive bidding / prequalification:

(Amount in Rs)					
S. #	Name of Hospital	Year of enlistment	2020-21	2021-22	2022-23
1	Akhtar Eye Hospital	2013	198,050	253,800	644,350
2	Ashfaq Memorial Hospital	2013	353,724	288,022	154,562
3	Atia General Hospital	2013	301,427	1,163,985	868,115
4	Darul Sehat Hospital	2013	544,174	-	1,535,846
5	Qamar Dental Hospital	2013	-	105,500	141,200
6	Shamsi Hospital	2017	554,982	847,594	1,441,044
7	M S Karachi Dental Clinic	2013	233,100	405,700	187,650

8	Infinity Eye Care Centre	2017	196,300	240,480	8,000
9	T.O Clinic	2013	192,766	66,658	353,704
10	Anmol Dental Clinic	2013	93,300	259,100	74,900
11	Ibn-E-Sina Hospital	2013	425,414	230,849	43,823
TOTAL			3,093,237	3,861,688	5,453,194

Audit was of view that management deprived the organization of competitive bidding process in violation of PPRA Rules, 2004. Thus, payment of Rs.5.4531 million was held irregular.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC that PPRA rules does not applicable for the enlistment of hospitals and hospitals were enlisted to give maximum facilitation of health to its employees where the majority of staff resides. Now EPZA had started the medical facility through insurance company and the first contract awarded to M/s. jubilee which was strictly compliance with PPRA Rules. The DAC directed the management to submit revised reply and get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.19 Inefficient procurement planning leads to non-completion of work on time - Rs.3.025 million

Rule 08 of PPRA Rules, 2004 states that all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management awarded the contract for Re-strengthening boundary wall at KEPZ Phase-I to M/s ANK Engineering on May 13, 2020 at the cost of Rs. 2,182,191 to be completed within 75 days from the date of commencement. However, the management vide letter dated March 31, 2022 cancelled the subject contract. Later on, the management re-tendered the same work to M/s Mehfooz Nabi Shaikh & Co. amounting to Rs.3,025,445 on August 29, 2022 with completion date 26.11.2022, but completed on 24.02.2023.

Audit is of the view that due to ill planning, work of 75 days took almost 03 years to complete despite issuance of tender twice which resulted in excess cost. Further, liquidated damages were also not imposed which reflects undue favor and poor planning. Thus, contract amounting to Rs.3.025 million stands irregular and unjustified.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC that work order issued to M/s ANK Engineering & Construction Company at Rs 2,182,191.70 on May 13, 2020. Contractor submitted letter that the site is not clear. Contractor was informed to start the work on April 12, 2021 but the contractor was not starting the work as he asked for escalation and change in rates due to fluctuation in market and

submitted rate analysis on 05.05.2021 which was on higher side. Then, contract was re-tendered and awarded to M/s Mahfooz Nabi Shaikh at Rs 3,025,445.00 on 29.08.2022. Work started from 31-8-2022 and completed on 24.02.2023 (90 days delay). The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.20 Non-appointment of Secretary

According to Finance Division O.M No. F.6 (49)-Imp. I/8 dated: 12th October, 1980,"it has been decided to include the Export Processing Zone Authority in the Management Grade for Senior Executives. Accordingly, the Chairman has been placed in Management Grade M-II and Members (Directors) in M-III".

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23 it was observed that the management awarded additional charge of Secretary to Mr. Kazim A. Lashari (General Manager-Internal Audit) for three (03) months on November 27, 2019. His additional charge was further extended for three months or till the posting of regular Secretary, EPZA whichever is earlier on February 28, 2020. Thereafter, upon repatriation of Mr. Kazim A. Lashari to his parent department (PSM), additional charge was given to Mr. Nasir Hidayat Khan Lashari (General Manager-Engineering/Facilities) on June 30, 2020 and was further extended for three months or till the posting of regular Secretary whichever is earlier on February 19, 2021. He is still serving as Secretary, EPZA till date.

Audit is of the view that additional charge / posting of the Secretary to GM (Engineering/Facilities) without prior approval of Establishment Division and non-appointment since long was held unjustified and irregular.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC that EPZA had requested several times and sent different requisition of cadre officer for the posting as new. However, EPZA had recently forwarded the requisition of Mr. Ghulam Yaseen Sanghro and MOI&P had forwarded the same requisition to the Establishment Division vide letter dt. 02-01-2024 for the deputation of Mr. Ghulam Yaseen Sanghro at the disposal of EPZA. DAC directed the management provide the relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

9.1.4.21 Non-finalization of annual accounts

According to AGP letter dated August 02, 2007, the compliance of PAC directives be made by PAO in letter & spirit. The accounts should be prepared. The preparation of accounts is mandatory requirement and it could not be condoned by any authority forum.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2022-23, it was observed that the annual accounts for the years 2010-11 to 2022-23 have not been prepared.

Audit is of the view that the management failed to finalize the accounts.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC that Authority has prepared and audited its annual accounts up to the financial year 2017-18 and the same have been approved by the EPZA BoD. And annual accounts of FY 2018-19 have been audited and waiting for final reports from CA Firm, the field audit of FY: 2019-20 is in progress. the Authority has prepared / drafted its annual accounts up to 2022-23 and the previous draft accounts up to FY: 2021-22 along with annual returns were submitted to Government Audit. After completion of audit and approval of annual accounts of the remaining period from BoD, the same will be furnished to Ministry of Industries & Production and Government Commercial Audit & Evaluation. The DAC directed the management for early finalization of all pending Authority's annual accounts and submit audited/finalized duly approved annual accounts within 03 months to Audit.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2022-23 vide para(s) number 9.1.4.18 having financial impact. Recurrence of same irregularity is a matter of serious concern.

9.2 Pakistan Industrial Development Corporation

9.2.1 Introduction

Pakistan Industrial Development Corporation (Private) Limited (PIDC) was incorporated on January 01, 1985 under the Companies Ordinance 1984, 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.

9.2.2 Comments on Audited Accounts

9.2.2.1 The working results of the Corporation for the year ended June 30, 2022 as compared with those of the previous years are given as follows:

(Rs.in million)					
Particulars	2021-22	% Inc /(dec)	2020-21	% Inc/Dec	2019-20
Administrative expenses	356.23	63.7	217.63	9.8	198.19
Investment properties	128.40	(65.1)	367.39	3.8	354.01
Cash and bank balance	44.25	(35.0)	68.10	(80.9)	356.72
Unrealized gain on investment	1,893.49	(23.7)	2,480.43	(8.9)	2,722.24
Retention money payable	67.38	-	-	-	-
Trade and other payables	1,003.64	57.9	635.50	229.6	192.78
Advances from customers	4,321.74	-	-	-	-

(Source: Annual Audited Accounts)

9.2.2.2 Administrative expenses increased significantly by 63.7% from Rs 217.63 million in year 2021 to Rs 356.230 million in 2022 due to significant increase in salaries, wages, utilities, janitorial and security services.

9.2.2.3 Investment properties have drastically decreased by 65.1% from Rs 367.39 million in year 2021 to Rs.128.40 million in 2022 mainly due to transfer of land of Rs. 201.196 million during the year,

9.2.2.4 Cash and bank balance decreased by 35% from Rs. 68.10 million in 2021 to Rs 44.25 million in 2022 owing to significant decline in cash balance in saving accounts of banks.

9.2.2.5 Unrealized gain on investment decreased by 23.7% to Rs 1,893.49 million during the 2022 from Rs 2,480.430 million in 2021 due to decline in fair value of various investments.

9.2.2.6 Trade and other payables increased significantly by 57.9% during year under review to Rs 1,003.64 million from Rs.635.50 million in previous year due to increase in payables to provincial governments.

9.2.2.7 Current ratio of the company has deteriorated during the year due to charging of advances from customers.

9.2.2.8 Debt ratio of the company has declined during the year owing to significant increase in liabilities i.e. deferred government grant, trade payables and advances from customers.

9.2.2.9 Debt to Equity ratio of the company has degraded during the year on account of charging advances from customers and increase in trade payables.

9.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1994-95	74	71	3	67, 69, 70	96%
1997-98	74	73	1	180	99%
1998-99	20	17	3	137,138,141	85%
2006-07	5	4	1	94	80%
2008-09	4	3	1	104	75%
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%

2019-20	4	2	2	7.2.4.1, 7.2.4.2,	50%
Total	199	178	21		89%

The overall compliance of PAC directives needed improvement.

9.2.4 Audit Paras

9.2.4.1 Non-utilization of industrial plots / land – Rs 8,789.000 million

As per clause 5 (b) and (c) of the Terms & Conditions binding on the applicant applying for the plot at Industrial Parks, the construction shall be completed within 18 months from the date of execution of agreement to sell and the project shall be completed in 24 months from the date of execution of agreement to sell.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that management allotted land since 2010-2021 for establishment of different industrial units. However, following 355 acres remained idle/unutilized since allotment as detailed below:

(Area in Acres)					
Name of Industrial Park	Total Area	No. of Allottees	Allotted Area	Operational plots	Idle plots
BQIP	930	42	408	199	209
KCIP	250	131	134	42	92
RIP	215	21	54	Nil	54
Total	1395	194	596	242	355

Audit is of the view that non-utilization of land reflects negligence and slackness on the part of the management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the primary responsibility of the Developer is the provision of infrastructure in the industrial parks, which is being adequately discharged by PIDC. However, the investment by industrialists is dependent on many other factors as well, including government industrial policies, tax regime, and overall economic environment etc. which are generally beyond the Developer's control. The DAC directed the management to get the progress verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.2 Non-execution of license agreement with allottees – Rs.5,775.095 million (268.280 Acres)

Clause 4.14 of the Terms & Conditions for plot of land at Bin Qasim Industrial Park (BQIP - Special Economic Zone states that after approval of the Building Plan, the Allottee shall thereafter be granted a License Agreement.

Clause 4.15 states that the License Agreement entered into will permit entry on the Plot and the commencement of construction of the Project. The Allottee and Pakistan Steel shall execute a License Agreement on a prescribe form.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that the management sold land to allottees of Bin Qasim Industrial Park (BQIP) and out of total sold land 268.280 Acres (Rs.5,775.095 million) consisting of 21 units/ projects are operational / under construction. According to terms and conditions plot of land, after approval of Building Plan, the allottees were required to be granted a License Agreement, this agreement permit to the allottee for entry on the Plot and commencement of construction of the Project. It was observed that 09 units are operational and 12 units are under construction. However, contrary to the above the PIDC/ PSM did not execute License Agreement with allottees despite the complete construction of plots (Annex-59).

Audit is of the view that management failed to execute the license agreement with allottees in violation of terms and conditions besides permitted the entry on the plots and also permitted for construction of Project without Agreement. This reflects weak internal controls and poor project management.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management informed that now the project is being governed under the provisions of the Special Economic Act, 2012 which do not envisage a license agreement as such. The management further informed that the essential terms and conditions are contained in the allotment letters and approval letter of building plans. DAC directed the management to provide relevant record for verification.

Audit recommends implementation of the DAC directives.

9.2.4.3 Escalation of cost due to inordinate delay in completion of grid construction project - Rs.3,406.997 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s NIP would enter into a separate O&M arrangement with KE as per practice to construct the Grid as a Sponsored Dedicated Distribution System (SDDS). M/s KE would be responsible to build and operate the project and charge NEPRA approved tariff from end-customers. The work would be performed by KE through an EPC contractor. Execution will commence in the financial year 2019-20 and will be completed in 2022-23. Original PC-I pertaining to “Construction of 132 KV Grid at BQIP” was approved in June, 2020 amounting to Rs 1,493.081 million including PKR 962.069 million.

However, due to recurring delays in the tendering process, the PC-I was revised two more times and finally the contract was awarded to M/s Barqtron for Rs 3,406.997 million instead of M/s K.E on June 23, 2022 with date of commencement July 07, 2022 and completion date October 06, 2023. The estimated completion period was 15 months, however as of June, 2023 less than 10% of the work was completed. The total cost now stands at Rs 5,087.661 million (USD @ Rs.286.510), the cost has increased by Rs 1,680.664 million in just over a year's time as on 30.06.2023 which reflected that the cost was increased up to 240% as compared to the original estimate.

Audit is of the view that the management took the matter upon itself to execute the project which led to delays and escalation of the cost of project despite having K-Electric who was an integral partner of NIP. Further, inordinate delay in completion of the project caused significant increase in cost of the project which reflected improper planning and weak financial management. Moreover, release of payment prior to signing of contract and services rendered was unjustified.

The matter was reported to the management in June, 2023. The matter was discussed in the DAC meeting held on December 13, 2023.

- A. The management informed the DAC that the preliminary process for the import of material and civil work is in progress. About 70% of the project cost pertains to imported plant & Machinery. However, procurement of foreign equipment was delayed due to government-imposed restrictions on the opening of foreign LCs by the contractor. In view of the above circumstances, the extension of time till June 30th 2024 has already been granted to the contractor by the Secretary Industries being the competent authority.
- B. The management informed the DAC that it is a PSDP project and, therefore, was deliberated in detail at the Ministry, and Planning Commission along with rationale justifications before approval. K-Electric put forth untenable demands which they were insisting on since the beginning and due to which the delay was caused in the first instance as well. It may be noted that the revised PC-I was prepared by the consultant and duly endorsed by the Ministry and then approved by the CDWP at a cost of Rs.3601.304m.
- C. The management informed the DAC that due process was followed at every stage and no irregularity has been done. M/s. Barqtron is the lead firm or bidder and M/s. Fast Cables is a joint venture (JV) partner of M/s. Barqtron. The advertisement clearly states that "The bidder/lead partner or main Contractor of Joint venture (JV) shall be an approved Contractor(s) of K-Electric for the past at least 03 years". The contract was awarded to M/s. Barqtron-Fast (Pvt) Ltd in June 2022 at a cost of Rs.3406m (not Rs.5000m). M/s. Barqtron was also registered in SECP in 2018. JVs are specific to a project and are normally registered after award, and at the time of bidding only a mutual JV agreement is submitted. The confusion regarding release of funds before signing of contract is apparently due to the dates on cheque which was 21.06.22 as the cheques were prepared in advance due to shortage of time, but handed over only after the verification of bank guarantee on 24.06.22. Partial network has already laid down to cater for the need of existing operation industries. The rest will be executed in accordance with colonization of the park. Power purchase

agreement and O&M agreement with KE, will be carried out in due course and is not mandatory at this stage.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 354, 359, 360 , 362 & 413)

9.2.4.4 Non-construction & operationalizing of Projects by allottees within specified period – Rs. 1,843.210 million

Clause 5.1 of the Terms & Conditions for plot of land at Bin Qasim Industrial Park/ Korangi Creek Industrial Park- Special Economic Zone states that the Project shall be completed in all respects and commissioned into operation within twenty-four (24) months from the date of execution of the License Agreement. The Project shall be deemed to be completed in terms of the above as and when PIDC approved of work done and issue a Certificate of Completion in respect of the Project to the Allottee/ Occupant of the allotted Plot of land.

Clause 5.2 states that should Project not be completed in twenty-four (24) months and a Certificate of Completion is not granted, the License Agreement may at the discretion of PIDC/ Pakistan Steel stand cancelled.

Clause 7.8 states that failure of the Applicant/ Allottee to meet the timelines provided for herein in respect of the payment schedule/ submission of building plan/ operation / construction may result in cancellation of the allotment /license/lease as the case may be and subsequent repossession of the plot of land by Pakistan Steel/ PIDC upon a refund of 90% of the amount paid to both Pakistan Steel and PIDC by the Applicant/ Allottee, without mark-up, after 90 days of such cancellation / repossession.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that management sold the land at Bin Qasim Industrial Park, Karachi to the allottees (Annex-60). According to above rules, the allottees were required to complete the Projects in all respects and commissioned into operation within twenty-four (24) months. In case of failure to complete the projects within 24 months License Agreement and allotment may be cancelled and subsequent repossess the plots from the allottees upon refund of 90% of the amount paid. However, the allottees did not complete and operationalize the projects within 24 months in violation of above terms & conditions. The management neither cancel the License Agreement/ allotment of plots nor imposed any penalty on account of delayed construction of projects:

Audit is of the view that management failed to take any action against the allottees who failed to construct/ operationalize the Projects within 24 months' period and also failed to impose penalty on account of delayed construction. This shows weak controls and undue favour to the allottees.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to make all out efforts for early construction and operationalizing of industry and intimate the progress to Audit.

Audit recommends implementation of the DAC directives.

9.2.4.5 Irregular splitting and pooling of various items by the bidders – Rs 1,678.637 million

Rule 26(3) of PPRA 2004, states that the procuring agency shall ordinarily be under an obligation to process and evaluate the bid within the stipulated bid validity period. However, under exceptional circumstances and for reason to be recorded in writing, if an extension is considered necessary, all those who have submitted their bids shall be asked to extend their respective bid validity period. Such extension shall be for not more than the period equal to the period of the original bid validity.

Further, Rule 26 (4) (a) of PPRA 2004, states that bidders who agree to extension of their bid validity period shall also extend the validity of the bid bond or security for the extended period of the bid validity.

Point No. VI of Mandatory requirements given in Evaluation Report states Completion certificate of at least 01 project of infrastructure in any industrial zone of minimum 800 acres land, Certificate of performance for at least 02 in hand projects of infrastructure in any industrial zone of at least 450 M PKR Value and Annual Turnover should be at least 1,000 million.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contracts for Package VII was awarded to M/s Kazi Nisar at a cost of Rs.799.903 million and for Package VIII work to M/s Haji Syed Ameer at a cost of Rs.878.734 million for construction of Roads, Drainage Network, Under Ground Water Tank, Sewerage System, Electrical Sleeves, Road Lightning, Rescue Building, Boundary Wall and Watch Towers in Phase-III of BQIP. However, following irregularities were observed:

- i. M/s Kazi Nisar failed to fulfil any of the three mentioned mandatory requirements as per Evaluation Report.
- ii. Bid Securities for extended period were not obtained from both bidders and Pre-Qualification of Contractors was also not done.
- iii. The Original Advertisement was for a single contract requiring services of a single construction firm, and didn't mention division of work in Packages VII & VIII.
- iv. A Corrigendum was published on December 17, 2021 just 04 days before original date of bid opening i.e. December 24, 2021 which states that Scope will remain same but work is divided in two packages.

Audit is of the view that the management extended undue favor as both contractors failed to meet mandatory requirements of the bidding documents and without extension of bid validity in violation of rules. Thus, contracts, amounting to Rs. 1,678.637 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 13, 2023.

- A. The management informed the DAC that the bid evaluation was duly conducted by the Consultant in which it was verified that M/s. KNA fulfilled all mandatory requirements as per RFP.

- B. The management informed the DAC that contracts for both the packages (VII & VIII) were awarded within extended bid validity period after vacation of Sindh High Court stay order.
- C. The management informed the DAC that it was decided to divide the work in two packages which is a normal practice. Its comparison with Sargodha Park (SIP) is not valid as SIP is hardly 10% of the size the BQIP. Contractors met all the mandatory criteria and other requirements. No irregularity has been committed in the award.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP NO. 347 & 350)

9.2.4.6 Award of contract against eligibility criteria – Rs.1,678.637 million

Rule 26(3) of PPRA 2004, states that the procuring agency shall ordinarily be under an obligation to process and evaluate the bid within the stipulated bid validity period. However, under exceptional circumstances and for reason to be recorded in writing, if an extension is considered necessary, all those who have submitted their bids shall be asked to extend their respective bid validity period. Such extension shall be for not more than the period equal to the period of the original bid validity.

Further, Rule 26 (4) (a) of PPRA 2004, states that bidders who agree to extension of their bid validity period shall also extend the validity of the bid bond or security for the extended period of the bid validity.

Point No. VI of Mandatory requirements given in Evaluation Report states Completion certificate of at least 01 project of infrastructure in any industrial zone of minimum 800 acres land, Certificate of performance for at least 02 in hand projects of infrastructure in any industrial zone of at least 450 M PKR Value and Annual Turnover should be at least 1,000 million.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contracts for Package VII was awarded to M/s Kazi Nisar at a cost of Rs.799.903 million and for Package VIII work to M/s Haji Syed Ameer at a cost of Rs.878.734 million for construction of Roads, Drainage Network, Under Ground Water Tank, Sewerage System, Electrical Sleeves, Road Lightning, Rescue Building, Boundary Wall and Watch Towers in Phase-III of BQIP. However, following irregularities were observed:

- i. M/s Kazi Nisar failed to fulfil any of the three mentioned mandatory requirements as per Evaluation Report.
- ii. Bid Securities for extended period were not obtained from both bidders and Pre-Qualification of Contractors was also not done.
- iii. The Original Advertisement was for a single contract requiring services of a single construction firm, and didn't mention division of work in Packages VII & VIII.
- iv. A Corrigendum was published on December 17, 2021 just 04 days before original date of bid opening i.e. December 24, 2021 which states that Scope will remain same but work is divided in two packages.

Audit is of the view that the management extended undue favor as both contractors failed to meet mandatory requirements of the bidding documents and without extension of bid validity in violation of rules. Thus, contracts, amounting to Rs. 1,678.637 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 13, 2023.

- A. The management informed the DAC that the bid evaluation was duly conducted by the Consultant in which it was verified that M/s. KNA fulfilled all mandatory requirements as per RFP.
- B. The management informed the DAC that contracts for both the packages (VII & VIII) were awarded within extended bid validity period after vacation of Sindh High Court stay order.
- C. The management informed the DAC that it was decided to divide the work in two packages which is a normal practice. Its comparison with Sargodha Park (SIP) is not valid as SIP is hardly 10% of the size the BQIP. Contractors met all the mandatory criteria and other requirements. No irregularity has been committed in the award.

The DAC directed the management to get the record verified from Audit.

Audit recommends investigation of the matter.

(DP No. 377, 406, 421)

9.2.4.7 Non-completion of infrastructure developments works – Rs 1,192.970 million

As per clause 2.1 of the agreement for Development and Management of Industrial Park on 13th July 2007 between Pakistan Steel Mills Corporation (Private) Limited and National Industrial Park Development and Management Company, NIP shall at its sole cost and expense and on the terms and conditions contained herein; (i) within a period of ten years from the date of this agreement develop, establish, cause to be constructed and completed an industrial park on the land and all related infrastructure and facilities (including permanent structures) for the purpose of the operation of an industrial park on the land.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that an agreement was signed between PSM and NIP on dated 13th July, 2007 and 930 acres of land, located at Deh Pipri, Bin Qasim Town, Karachi, was handed over by the Pakistan Steel Mills to National Industrial Park Development & Management Company (NIP) for rapid industrialization by establishing/developing new industrial estates and/or industrial parks. Project was to be developed/completed by July 2017 as per agreement between PSM & NIP. However, it was observed that infrastructure development has not yet been completed even after lapse of 16 plus years and an expenditure of Rs 1,192.970 million. It was further observed that out of 717 acres of saleable area, 408 acres were allotted to 42 allottees and since 2013, only 09 allottees (199 acres) had started operations after completing construction, rest of the plots on 208.984 acres' area remain unutilized till date.

Audit is of the view that non-development of infrastructure and committed facilities, despite incurring huge cost of Rs 1,192.970 million indicates poor planning and mis-management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the project had to be developed in 03 (three) phases and the last phase infrastructure development in underway, to be completed by June 2024. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.8 Non-submission of building plans by investors for construction of plots – Rs.602.528 million (132.764 Acres)

Clause 4.12/5.12 of Terms & Conditions for plot of land at Bin Qasim Industrial Park (BQIP)/ Korangi Creek Industrial Park- Special Economic Zone states that the allottees shall submit Building Plans / Drawings of the Project to PIDC for approval within 03 months from the issuance of the Site Plan.

Clause 7.8 / 8.17 states that failure of the Applicant/ Allottee to meet the timelines provided for herein in respect of the payment schedule/ submission of building plan/ operation / construction may result in cancellation of the allotment /license/lease as the case may be and subsequent repossession of the plot of land by Pakistan Steel/ PIDC upon a refund of 90% of the amount paid to both Pakistan Steel and PIDC by the Applicant/ Allottee, without mark-up, after 90 days of such cancellation / repossession.

Clause 4.16 states that in case payment of dues/ submission of Building Plans/ Drawings is not made as specified or such extended period at PIDC's discretion, the Provisional Allotment Letter shall stand cancelled.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that the allottees of the plots at Bin Qasim Industrial Park (BQIP) and Korangi Creek Industrial Park (KCIP) failed to submit building plans for construction of industrial units within 03 months from issuance Site Plans. In case of failure to meet the timelines, management was required to cancel the allotment and subsequent repossession of the plots besides deduction of 10% of total amount paid as penalty (Annex-61).

Audit is of the view that management did not pursue the matter as per terms and condition for allotment of plots which resulted into non cancellation of plots and non-recovery of 10% penalty amounting to Rs 602.528 million (Rs 6,025.283 million*10% = Rs.602.528 million). This reflects weak internal control and poor performance on the part of management.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to vigorously pursue the allottees for early submission of building plans and construction of projects.

Audit recommends implementation of the DAC directives.

9.2.4.9 Award and execution of various consultancy works with irregularities - Rs.558.037 million

Rule 4 of PPRA, 2004 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 20 of PPRA, 2004 states that save as otherwise provide hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management awarded various contracts with multiple irregularities in award and execution (Annex-62).

Audit is of the view that irregular award and execution of various works compromised level-playing field to the competitors and value for money to the company.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the consultants were hired as per the relevant PPRA rules. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.10 Unjustified variation in subsequent bid Rs. 446.70 million

Rule 04 of PPRA Rules 2004 states that the procuring agencies while engaging in procurement, shall ensure that the procurement 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 26 (1) and (2) of PPRA, 2004 states that a procuring agency, keeping in view the nature of the procurement, shall subject the bid to a bid validity period and bids shall be valid for the period of time specified in the bidding document. Furthermore, Article 14.1 of the Bidding Documents states that the validity of bid is 90 days.

During audit on the accounts of the Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2021-22, it was observed that Contract for “Construction of 132 KV Grid at BQIP” was awarded to M/s Barqtron for an amount of PKR 3,406.997 (million). Moreover, the consultancy contract was awarded to M/s Barqaab on 23.07.2021 at a cost of 22.600 million with the agreement signed on 20.08.2021. M/s Barqaab then prepared following two estimates, first was prepared before 1st tender and 2nd was prepared after the opening of 2nd tender, as under:

S#	Project Estimate Date	Project Estimates (million)	Remarks
1	11.11.2021	3,030.549	Estimate prepared before opening of 1 st Tender
2	02.03.2022	3,601.304	Estimate prepared after opening of 2nd Tender

The consultant prepared 1st engineering estimate of 3,030.549 million for the Construction of 132 KV Grid at BQIP on 11.11.2021 based on which bids from the contractors were invited and the lowest bid received from M/s Barqtron-Fast JV was PKR. 2,960.30 (million) on 31.12.2021 which was in line with the engineering estimate and had bid validity period of 120 days. However, instead of accepting the said bid, revised tender was issued almost immediately without any fresh estimate. In the 2nd tender, the same firm M/s Barqtron-Fast JV submitted a bid of PKR 3,406.997 (million), 446 million higher than their first bid of PKR. 2,960.30 (million) submitted just 45 days earlier in the 1st tender, this resulted into a loss of 446.7 million for the corporation. Detail of bids submitted by M/s Barqtron-Fast JV:

S.#	Item	Date of Bid	Bidder	Total (million)
1	1 st Bid	31-12-2021	M/s Barqtron	2,960.30
2	2 nd Bid	05-02-2022	M/s Barqtron	3,407.00
3			Difference	446.70

Audit is of the view that enhancement of estimates in second bid was unjustified and irregular.

The matter was reported to the management in June, 2023.

The irregularity was discussed in DAC meeting held on December 14, 2023. The management informed the DAC that it is a PSDP project and, therefore, was deliberated in detail at the Ministry, and Planning Commission along with rationale justifications before approval. The cost was verified by the Ministry directly with KE who vide letter dated 01.03.2022 addressed to the Additional Secretary -I, quoted a Rs.4228 m which was significantly higher than the lowest bid of Rs.3406m. It may be noted that the revised PC-I was prepared by the consultant and duly endorsed by the Ministry and then approved by the CDWP at a cost of Rs.3601.304m. The DAC directed to conduct fact finding inquiry at Ministry level to ascertain: i. whether tendering was as per PPRA ii. Whether results were appraised to the MoI&P iii. Whether final tendering results were also disclosed and made part of the revised PC-I which was approved by the CDWP.

Audit recommends implementation of DAC directives.

9.2.4.11 Irregular Hiring of Consultant for Feasibility Study of Karachi Industrial Park– Rs.430.702 million

Rule 4 of PPRA, 2004 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 42-C of PPRA states that, a procuring agency shall only engage in direct contracting if the following conditions exist, namely: - (i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier (ii) only one manufacturer or supplier exists for the required procurement: (iii) where a change of supplier would oblige the procuring agency to acquire

material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance: (iv) repeat orders not exceeding fifteen per cent of the original procurement; (v) in case of an emergency: (vi) when the price of goods, services or works is fixed by the government or any other authority, agency or body duly authorized by the Government, on its behalf; and (vii) for purchase of ***motor vehicle from local original manufacturers or their authorized agents at manufacturer's price.

During audit on the accounts of the Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2021-22, it was noted that M/s Surbana Jurong JV was awarded the contract for revised scope of work of "Preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park on 1500 acres of Pakistan Steel Mills Land" on June 07, 2022 at a cost of 430.702 million. Following irregularities were pointed out in the tendering process:

- i. Consultancy contract was awarded for various items of scope of work without approval of PC-1 whereas CDWP in its meeting held on June 04, 2021 had approved only Feasibility Study Component of the project.
- ii. Management cancelled the 1st bidding process and instead of fresh tender, revised RFPs having amended Scope of Work & Eligibility/Selection Criteria were shared with M/s Surbana Jurong & M/s Nespak.
- iii. Revised eligibility criteria were formed to suit the experience of M/s Surbana wherein more focus was put on intentional projects. This was to the disadvantage of other firms.
- iv. M/s Surbana failed to submit Completion Certificates in couple of Projects but was still declared technically qualified.
- v. The first financial bid of M/s Nespak was lower than that of M/s Surbana JV, the latter was technically unqualified due to non-meeting of multiple mandatory requirements.
- vi. Response time of 30 days for international tender was not given in both the bids.
- vii. The weightage given to Quality of 80% was higher than the usual limit of 70%, the weightage for cost should have been 30%.

S.#	Description	1st Bid Dec 2021	
		M/s Nespak	M/s Surbana Jurong
1	Bid Amount	531,434,385	589,607,783
2	Technical Marks	90.33	96.833

Audit is of the view that the management extended undue favour to M/s Surbana Jurong by setting tailor-made eligibility criteria which discouraged other competition and awarded it the contract despite of the firm not even meeting the mandatory technical criteria. The eligibility criteria were changed to restrict competition, and the scope of work was reduced to bring the bid of M/s Surbana in line or close to the figure of 400 million. The scope of work was, however, still too big and too complex to be included in just one tender.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 13, 2023. The management informed the DAC that the overall lowest cost of the tender determines the successful bidder and not the individual cost elements. After pre-qualification, RFP was issued to prequalified parties in Dec 2022 and the bidders were invited to submit sealed technical and financial proposals. However, due to the higher bid significantly exceeding the project approved amount, some elements of the initial RFP were removed and fresh bidding was held again in February 2022 under revised scope. The DAC directed the management to conduct a fact-finding inquiry at Ministry level.

Audit recommends implementation of the DAC directives.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

9.2.4.12 Irregular award of consultancy work - Rs.430.702 million

Rule 4 of PPRA, 2004 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management awarded the contract for revised scope of work of "Preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park on 1500 acres of Pakistan Steel Mills Land" on June 07, 2022 at a cost of Rs.430.702 million to the Joint Venture of M/s Surbana Jurong (Lead Firm), M/s EA Consulting (JV Partner), M/s OMS (JV Partner) and M/s International Consulting Associates (JV Partner).

Following irregularities were observed:

- i. Despite a Grid already under construction in BQIP, the management unnecessarily included "Construction Supervision of Grid" in the scope of work.
- ii. The award of contract at Rs.430.702 million instead of CDWP approved cost of Rs.400 million.
- iii. Most of the employees shown in bidding documents submitted by M/s Surbana as theirs were actually employees of M/s SMEC or M/s Engineering General Consultants.
- iv. There is variation in data of employees submitted by M/s Surbana in 1st and 2nd proposal, the CVs submitted in the first proposal with undertaking are completely different in the second.
- v. M/s Surbana Jurong Private Ltd was formed in June 2015, however most of the projects given in the technical bid of the firm date back to the period before 2015.
- vi. It has been stated in the documents that M/s Surbana has worked as External Associate Consultant with M/s ESCP on the Quaid-e-Azam Apparel Park (QAAP) Project from 2017-18 (later renamed as QABP), however no such evidence was available.
- vii. As per the technical bidding documents, M/s Surbana did not have any experience of working in Pakistan on any industrial park of 1,000 acre or above independently.
- viii. No PEC, NTN, SRB and FBR registration and NOC from Ministry of Interior was available.
- ix. Signing of contract was done before verification of performance guarantee. Payment Cheques issued before submission of invoices and approval for payments was given after 2, 3 days. Advance Payment Guarantee and Performance Security Bonds were verified after the cheques had been issued.

Audit is of the view that the management extended an undue favor to the bidder which reflected poor internal controls.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023.

- A. The management informed the DAC that the design and construction supervision of Grid is an integral part of the project as utilities have to be provided at the time of allotment of developed industrial plots. BQIP is a separate project and its Grid would cater to its own long-term electricity needs, and a separate Grid for KIP is essentially required to be constructed within time.
- B. The management informed the DAC that CDWP approved the amount of Rs. 400 million for the consulting work. However, in the second round of bidding on 14.02.2022 the successful bid received was Rs.430.702m which is well within 15% variation.

C. The management informed the DAC that M/s Surbana Jurong (SJ) submitted PEC certificate of pre-registration at the time of pre-qualification and subsequently, SJ also submitted PEC certificate of registration after the award of the contract. SJ has submitted the evidence of registration with FBR, whereas SRB registration was also done accordingly after the signing of the contract. The firm is registered with SECP. Although the cheques have been issued, however, SJ got registered with SRB before clearance of the cheques. PEC issues certificates to foreign firms on project basis. In order to avoid the amount having lapsed, the guarantee was verified after handing over the cheques.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.13 Irregular award of contract to a foreign company without NOC – Rs.430.702 million

According to para 6(2) of PEC Consulting Byelaws Relevant to Registration of a Foreign Consulting Engineer; Foreign firms of consulting engineers shall get themselves registered as consulting engineers for specified projects which need expertise and specialized knowledge not available with Pakistani consulting engineers, shall join an association or joint venture with a Pakistani consulting engineer and in such an association or joint venture, the services to be rendered by the foreign firm of consulting engineer shall be limited to the expertise and knowledge not available with any Pakistani consulting engineer:

According to SECP's Rule 5 (1), 6(1), & 6(3) of Foreign Companies Regulations, 2018, every foreign company shall deliver the information and documents as mentioned in section 435 of the Act to the registrar as per Fnc. Form-II along with payment of fee. On registration of documents of a foreign company as filed under regulation 5, the registrar shall issue a certificate of registration of documents as per Fnc. Annexure-III. Subsequent to registration of documents, a foreign company shall be bound to obtain all necessary approvals from relevant authorities as per applicable laws.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management awarded the contract for Preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park (KIP) on 1,500 acres of Pakistan Steel Mills Land on June 07, 2022 at a cost of Rs.430.702 million to M/s Surbana Jurong-JV. The firm was provisionally registered with SECP in 2018 as it was a Singapore based company which required to get clearance from Ministry of Interior before the start of business in Pakistan. The firm did not obtain a regular PEC certificate but had obtained a special PEC certificate for the KIP project only. Whereas, there was already sufficient knowledge and expertise available in Pakistan.

Audit is of the view that M/s Surbana Jurong did not have a requisite clearance from Ministry of interior and had obtained a project only PEC Certificate despite existence of such expertise already in Pakistan which was unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023.

- A. The management informed the DAC that Surbana Jurong is properly registered with SECP since 2018 to operate in Pakistan after fulfilling all due legal formalities under Section 435 of Companies Act 2017, and working on numerous projects.
- B. The management informed the DAC that the ‘1000-acre project in Pakistan’ was not the required criteria for the selection of a Project Consultant for Karachi Industrial Park (KIP). On the other hand, Surbana Jurong is a Singapore government-owned internationally renowned organization and has designed several large and successful parks in the regional countries including, China, India, Vietnam, Singapore, Indonesia etc. Secondly, the procurement of Project Consultancy services for KIP was processed as per PPRA rules through an open competitive bidding process. The bid award results were published on the PPRA website as per rules and no objection was raised by any party.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 378 & 383)

9.2.4.14 Irregular award of Contract at higher than BOQ rates – Rs.372.780 million

Rule 4 of PPRA, 2004 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contract for Package VIII-BQIP Phase-III (Phase-III) was awarded to M/s Haji Syed Ameer at a cost of Rs.878.734 million for construction of Roads, Drainage Network, Water Supply Distribution Network, Sewerage Systems, Electrical Sleeves, and Road Lightning without taking into account the BOQ estimates. The detail is hereunder:

S#	Description	BOQ (Rs)	Bid Amount (Rs)	Excess	%	Remarks
1	Road Works	522,263,222	652,157,486	129,894,264	24.87	*No mention of Box Culvert in BOQ Phase VIII *Price for Box Culvert has been added by M/s HSAB in the Bid
2	Drainage Network	3,655,617	4,884,285	1,228,668	33.61	
3	Water Supply Network	34,121,008	49,137,805	15,016,797	44.01	
4	Electrical Sleeves	19,282,505	23,987,355	4,704,850	24.39	
5	Road Lighting	53,975,091	75,568,335	21,593,244	40.00	
	Total	633,297,443	805,735,266	172,437,823	27.22	

It was further observed that M/s Kazi Nisar was awarded contract of Package VII in BQIP development works at a cost of Rs.799.903 million for construction of Roads, Drainage Network, Under

Ground Water Tank, Sewerage System, Electrical Sleeves, Road Lightning, Rescue Building, Boundary Wall and Watch Towers without taking into account the BOQ estimates. The detail is hereunder;

Amount in Rs.						
S#	Item Description	BOQ	Bid Amount	Excess	%	Remarks
1	Road Works	122,219,694	157,877,948	35,658,254	29.17	*BOQ quantities are less 15% premium given on schedule items
2	Drainage Network	345,476	700,708	355,232	102.82	
3	Under Ground Water Tank	214,171,413	261,696,441	47,525,028	22.19	
4	Sewerage System	58,145,495	108,811,050	50,665,555	87.13	
5	Electrical Sleeves	3,136,782	6,158,400	3,021,618	96.32	
6	Road Lighting	12,457,148	16,807,913	4,350,765	34.92	*15% premium on similar schedule items was not given in Package VIII opened on the same day
7	Rescue Building	56,442,472	73,929,773	17,487,301	30.98	
8	Boundary Wall	64,698,019	85,054,546	20,356,527	31.46	
9	Watch Tower	4,289,099	7,756,586	3,467,487	80.84	
Total		535,905,598	718,793,365	182,887,767	34.12	

Audit is of the view that award of work at significant higher cost compared to the BOQ cost estimates was unjustified. The BoQs were not prepared on the basis of Government issued Composite Schedule of Rates (CSR). Thus, contracts amounting to Rs.372.780 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023.

- A. The management informed the DAC that Audit has taken Engineering estimate as BOQ rate. Bid amount is only 9% higher than the Engineering estimate which is within normal variances. Box culvert was omitted in the engineering estimate but was added later at the time of tendering by the consultant.
- B. The management informed the DAC that the contract was awarded to M/s Kazi Nisar Ahmed & Co (KNA) as per the bid amount of Rs.799.9 million which is only 14% above the engineering estimate. It is also informed that the tender for Package VII & VIII are based on MES-2021 for scheduled items and the non-scheduled items. Additionally, for non-scheduled items, market rates apply, and a premium/ruling is only applied to the MES Schedule rate at 15% on both packages VII & VIII.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP NO. 366 & 435)

9.2.4.15 Non-payment of Sales Tax by Contractors/Consultants - Rs.323.835 million

As per Rule 3(3) of the Sindh Sales Tax Special Procedure (Withholding) Rules, 2014, “A withholding agent, other than a person or a recipient of 3[the taxable] services covered by clause (f) of sub-rule (2) of rule 1, shall deduct an amount equal to one-fifth of the total amount of sales tax shown in the sales tax invoice issued by a registered person and shall make payment of the balance amount to service provider...”

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that an amount of Rs 2,405.000 million was paid to contractors in different projects from 2019-2022, however sales tax amounting to Rs.323.835 million was not deposited in government treasury. Details are as follows:

S#	Project	Contractor/Consultant	Amount Paid	PST 16%	SRB 13%
1	Package 1-BQIP	KNA & Shangrilla JV	509,764,941	-	66,269,442
2	Package 2-BQIP	Haji Syed Ameer and Bros	531,867,499	-	69,142,774
3	Package 3-BQIP	KNA & Shangrilla JV	143,817,510	-	18,696,276
4	Package 5-BQIP	Gul Construction	37,953,055	-	4,933,897
5	Package 6-BQIP	Gul Construction	25,927,929	-	3,370,630
6	Package 7-BQIP	KNA	79,990,301	-	10,398,739
7	Package 8-BQIP	Haji Syed Ameer and Bros	296,311,464	-	38,520,490
8	KIP Consultant	Surbana JV	101,092,285	-	13,141,997
9	132 KV Grid BQIP	Barqtron Fast JV	310,170,100	-	40,322,113
10	RIP Dev. Work	Ghousia Engineering	368,992,430	59,038,789	
	Sub-Total			59,038,789	264,796,361
	Grand Total		2,405,887,514	323,835,150	

Audit is of the view that non-deposit of tax amount is a loss to the exchequer.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that SRB vide SRO Number 3-4/7/2013 dt. June 18, 2013 specifically exempts Sales Tax on the construction and development of SEZ under sub-clause iv of tariff 9824.0000 and the same is still in effect and applicable to all SEZ projects of PIDC. The DAC directed the management to get the exemption verified from SRB and share the same with Audit.

Audit recommends implementation of the DAC directives.

(DP No 401 & 412)

9.2.4.16 Irregular award of contract to the highest bidder – Rs.300.995 million

Rule 04 of PPRA Rules,2004 states that the procuring agencies while engaging in procurement, shall ensure that the procurement 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 27 states that due to any reason, the procuring agency finds it necessary to extend such deadline, it shall do so only after recording its reasons in writing and in an equal opportunity manner. Further, Rule 38 states that the bidder with the lowest evaluated bid shall be awarded the procurement contract within the original or extended period of bid validity.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that tenders/bids were called on 18-07-2012 for pre-qualification of contractors/firms for development of infrastructure works at Sargodha Industrial Park with bids submission

date 13-08-2012. In response, 47 firms submitted technical bids out of which 19 firms were prequalified. The responsive bidders submitted the financial bids as detailed below:

S.#	Name of Firm	Bid Amount (Rs)	Ranking
1	M/S R M Gulistan Engineers	315,971,027	5 th
2	M/S Shalimar Construction Co.	344,164,368	6 th
3	M/S Ch. A. Latif & Sons	278,975,898	3 rd
4	M/S Progressive Int.	297,072,240	4 th
5	M/S Tayyab Manzoor	269,847,910	1 st
6	M/S Kiazen-Staco	272,787,941	2 nd

Later on the management awarded the contract to M/s Ch. Abdul Latif & Sons (3rd lowest bidder) by ignoring the first lowest bidder i.e. M/s Tayyab Manzoor.

Audit is of the view that the management extended an undue favor to the bidder which reflects weak internal controls. Thus, contracts valuing Rs.300.995 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023.

- A. The management informed the DAC that extension of the date of bid submission has been done according to PPRA rules. On request from prequalified contractors, the financial bid submission date has been extended from 7th March 2013 to 22nd March, 2013. Later on, based on the pre-bid meeting (held on 18th March 2013), the financial bid submission date has been extended again from 22nd March 2013 to 12th April 2013. Secondly, please note that the tender has been issued as a whole for all works i.e., Construction of Rigid Pavement, Sewerage Network and Water Supply Distribution. Therefore, procuring agency is bound to award the contract as a whole to the lowest evaluated bidder as per the Least Cost Basis Method as specified in the advertisement.
- B. The management informed the DAC that as per the submitted financial bids M/s Tayyab Manzoor quoted the lowest bid. After arithmetic corrections and evaluation done by Project Consultant, the bid amount of Rs 278,975,898 has been found lowest which was submitted by M/s Ch. A. Latif & Son.

The DAC directed the management to conduct a fact-finding inquiry and share the report with Audit.

Audit recommends implementation of DAC directives.

(DP NO. 397 & 394)

9.2.4.17 Irregular renting out of properties without rent assessment and formation of SOPs - Rs.292.052 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that management rented out its following properties having 339,296 Sq. Ft. along with 04 antenna space without rent assessment from property valuers / surveyors. The spaces are rented out to the tenants on mutual understanding, without any market survey Furthermore, management also did not have any SOPs / Policy for Estate Department so that properties owned by PIDC be rented out as per laid down policy.

(Rs. in million)				
S#	Name of Property	Are (Sq Ft)	Yearly	Rental
			Income	
1.	PIDC House	207,262		206.485
2.	Finance & Trade Center	32,283		41.946
3.	KPT Godowns	87,426		32.951
4.	Dalmia Space	6,000		10.670
5.	Progressive Plaza	6,325		
Total		339,296		292.052
Source: Financial Statements for the year ended 30 June 2022				

Audit is of the view that renting out of properties without rent assessment / lower than market rates and without SOPs shows undue favour to the tenants and in-efficient utilization of resources which resulted into loss of rental income.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management explained that market rates cannot be charged to existing tenants and their rent is increased annually as per agreed terms and conditions. DAC directed the management to take up with the Board the possibility of adjusting property rents as per market rates and share the decision of with Audit.

Audit recommends implementation of the DAC directives.

9.2.4.18 Unjustified enhancement in length of roads - Rs.218.643 million

Rule 4 of PPRA, 2004 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contract for Package VII-BQIP (Phase-III) was awarded to M/s Kazi Nisar at a cost of Rs 799.903 million and the contract for Package VIII-BQIP (Phase-III) was awarded to M/s Haji Syed Ameer at a cost of Rs 878.734 million. BOQs of both the packages reflected that a total of 7.34 Km of roads were to be constructed by the two contractors at an aggregate cost of Rs 938,142, 430 (with average cost per Km of Rs. 127,797,343). However, as per PM BQIP, the total length of roads to be constructed in Phase-III was 5.63 Km as detailed below:

Length Requirement (As per data by PM BQIP)	Length Added in BOQ	Difference	Excess (Based on Avg Cost/Km of Rs. 127,797,343)	%

5.63	7.34	1.7108602	218,643,390	23.30
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Audit is of the view that there was unjustified excess length of work amounting to Rs 218.643 million, which reflects weak monitoring and slackness.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the assumptions in the PDP are not correct, no excess length is added. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.19 Payments without construction of road - Rs.173.437 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that Package I, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Kazi Nisar-Shangrilla JV at a total amount of Rs. 529.99 million for construction of Main Carriageway Road. As per BOQ, length of Road to be constructed was 4.3766 Km amounting to Rs. 529.99 million while only 2.77735 KM ($63.5\% = 2.77735/4.3766*100$) of the road could be constructed, and the contractor was paid a sum of Rs.509.764 million which was around 96% of the total contract amount. An excess amount of Rs. 173.437 million was paid to the contractor, as detailed below:

Length of Main Carriageway Road to be constructed as per BOQ Quantity of Asphalt Wearing Course	4.3766 Km
Total Cost of Contract for Construction of Main Carriageway Road	Rs.529,990,747
Cost per Km (529,990,747/4.3766)	Rs. 121,096,455
Length of Main Carriageway Road Actually Constructed as per PM BQIP	2.77735 Km
Cost of 2.77735 Km	Rs. 336,327,241
Total Payments to Contractor	Rs. 509,764,941
Excess Payments to Contractor	Rs.173,437,700

Audit is of the view that excess payment to the contractor was held unjustified and irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the road constructed in Package - I as per the site is 4.286 km and paid accordingly. Package - I actually saved funds, hence no excess payment is made to the contractor. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.20 Irregular / excess payment to the contractor – Rs.128.427 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management awarded the contract for revised scope of work of 'Preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park on 1,500 acres of Pakistan Steel Mills Land' on June 07, 2022 at a cost of Rs.430.702 million to the Joint Venture of M/s Surbana Jurong (Lead Firm), M/s EA Consulting (JV Partner), M/s OMS (JV Partner) and M/s International Consulting Associates (JV Partner). However, the management made extra / irregular payments amounting to Rs.128.247 million as detailed below:

S#	Description	(Rs.in million)	Remarks
1.	Mobilization Advance	54.404	Excess Payments
2.	Civil Works	24.583	Wrongly booked in Civil Works instead of Consultancy Services
3.	Future Deliverables	49.260	Excess Payment

Total	128.247	
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Audit is of the view that the excess payment of Rs.128.247 million reflects undue favor and weak financial management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 14, 2023.

- a) The management informed the DAC that Rs. 27.248m advance was paid as per the contract for design stage / pre-construction activities. Subsequently, the Consultant was further paid secure advance of Rs 49.260 million in view to avoid lapse of funds. However, out of the total additional advance of Rs 49.260 million we have already recovered/adjusted Rs 48.256 million against deliverables and only Rs.1.0 million is to be adjusted. The DAC directed to conduct fact finding inquiry at Ministry level to verify: i. Whether PEC guidelines prohibit advances to consultants. ii. Whether advance was duly secured. iii. Whether due adjustment of advance was duly made after receiving contractual deliverables.
- b) The management informed the DAC that the said payment has been paid against pre-construction activities i.e., Draft PC-I and Feasibility and NOT against civil work.

The DAC directed the management to get verified the record with audit.

Audit recommends implementation of the DAC directives.

(DP No. 352, 353 & 416)

9.2.4.21 Non-utilization of building - Rs.115.234 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the building of CFTMC Nausheroferoz which completed in the year 2021 for Rs 115,234,957 was required to impart skill training to unemployed youth in furniture and woodwork. However, the building was being used as Site Office for NFIP till date. No equipment till date was purchased nor anyone employed for training related activities. Further, the site is located right in the middle of agricultural lands and there is hardly any tree or wood available in the vicinity.

Audit is of the view that non-utilization of building despite expenditure reflected negligence and wastage of public money.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the required land for setting up CFTMC NF was allocated by PIDC in the Noushero Feroze Industrial Park (NFIP) project along the Main National Highway. Subsequent to the initiation of construction, which concluded in 2021, FP was closed down and its assets/resources were handed over/merged into PIDC under the directives of

the Federal Cabinet. Consequently, FP's facilities were transferred to PIDC in November 2021. PIDC is now actively engaged in revitalizing FP projects in a phased manner, starting from Peshawar and Sargodha centers. The DAC directed the management to get the progress verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.22 Abnormal increase in boundary wall cost - Rs.85.054 million

Rule 4 (3) of the 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, in accordance with the Act and these rules.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s Kazi Nisar was awarded contract of Package VII in BQIP Phase-III development works at a cost of Rs.799.903 million for construction of Infrastructure works, Office Building, Rescue Building, Boundary Wall and Watch Towers. However, cost per meter for construction of Boundary Wall given to the same contractor was Rs 19,828 where out of 7,705 meters, only 6,255 meters were constructed. In this tender, the contract for construction of Boundary Wall is again awarded to the same contractor at a per Meter Cost of Rs 51,032.730 which is 157.4 % higher than the previous per meter cost given by same contractor. The difference in per meter cost is detailed below:

Amount in Rs	
Total Cost of Boundary Wall in Package VII Excluding Taxes	73,997,455
Boundary wall to be constructed (Meter)	1,450
Cost per m Package VII	51,032.73
Cost per m in Package III by the same contractor	19,828
Difference in per meter cost	31,204.7
Increase (%)	157.4

Audit is of the view that the management awarded the contract for construction of Boundary Wall at a per meter cost of Rs 51,032.73 which was 157.4 % higher than the previous per meter cost of Rs 19,828 which reflected negligence and weak internal controls.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the Packages-I & Package-VII tender dates are October 2018 and December 2021 respectively. Over a period of 3 years the price variation has been very significant, therefore, the prices quoted cannot be compared. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.23 Loss due to procurement of land for industrial park at higher rates- Rs.73.600 million

Rule 04 of PPRA Rules 2004, the procuring agencies while engaging in procurement, shall ensure that the procurement 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-38 states that the bidder with the lowest evaluated bid shall be awarded the procurement contract within the original or extended period of bid validity.

Rule 40 of PPRA Rules 2004 states that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder: Provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that press advertisement for purchase of 100 acres of land was floated for establishment of Sargodha Industrial Park in newspapers dated April 10, 2012. Terms and conditions were as under:

- The land should be within 20 KM of Sargodha city.
- The land should be situated on main road with an appropriate approach.
- All the utilities like electricity, sweet water, telephone and other facilities should preferably be available.
- The bidder should be in possession of land and ownership documents.
- Receiving and opening of bids was 27th April, 2012.

In response of advisement following bidders submitted their per acre rates:

S.#	Name	Area (Acres)	Location	Bid Amount Per Acre	Distance from City	Sweet Water	Electricity
1	Zubair Bhatti	100	Kandewal Road	1,600,000	15 Km	No	Yes
2	Qamar ul Islam	100	Khoshab Road	1,550,000	25 Km	Yes	Yes
3	Al-Hamd Estate	76	Chak 52, 53	775,000	12 Km	Yes	Yes
4	Al-Hamd Estate	60	Chowkira Road	1,100,000	15 Km	No	4 Km Away
5	Ghulam Rasool	100	Faisalabad Bypass Road	6,500,000	12 Km	No	Yes

It was observed that Mr. Zubair Bhatti had offered Rs. 1,600,000/ per acre, thereafter, he offered discounted rates after opening of bids @ Rs. 1,325,000/ per acre due to non-availability of sweet water and unsuitable underground water for human consumption and industrial use on his land. Later, the management issued letter of intent to Mr. Zubair Bhatti for purchase of land @ Rs. 1,325,000/ per acre, instead of M/s Al-Hamd estate which offered lowest rates @ Rs. 775,000/ per acre, resulting in a loss of Rs. 73.600 million. $*(1,325,000*100=132,500,000) -(775,000*76=58,900,000) =73,600,000/-$.

Audit is of the view that the management purchased industrial land in violation of PPRA Rules. As per terms and conditions, all the utilities like electricity, sweet water, telephone and other facilities should preferably have been available on or nearby the proposed land. However, the land that was bought had no access to sweet water and its underground water was unfit for both industrial and human usage. Additionally, M/s Al-Hamd estate, which was located 12 km from the city and gave the lowest prices at Rs. 775,000/per acre, was also close to power and sweet water. And, Mr. Zubair Bhatti, who offered Rs. 1,600,000/ per acre that was 15 Km's from the city and had no access to sweet water. Therefore, land was purchased in violation of PPRA rules.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the land offered by M/s Al-Hamd Estate did not meet the criteria such as minimum area, road access etc. Therefore, it could not be considered as responsive offer. Furthermore, the selected land of M. Zubair Bhatti has proper connectivity in the shape of a metaled road and was better suited for provision of electricity and water etc. The DAC directed to conduct a fact-finding inquiry at the Ministry level.

Audit recommends implementation of DAC directives.

9.2.4.24 Unauthorized payment of bonus / eid grant - Rs.64.402 million

Finance Division (Regulations Wing) office letter No.F.3(5) R.12/80(R.14). Vol.H2201-54 dated 30th November 2001, reads as “.... it has been observed that certain corporations are not following the Government instructions in letter and spirit and making payment of bonus to their employees without approval of Finance Division (Regulation wing).”

Para (iii) of Finance Division (Regulation Wing) OM. No. F.3 (5) R12/BOCR.14/2002-154 dated 18-03-2002 states that Managing Directors and members of Board of Directors will not be entitled to receive bonus.

During audit of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC) for the year 2021-22, it was observed that a sum of Rs.64.402 million was paid as bonus to officers / officials during the period as detailed below:

			Amount in Rs
Designation	Eid Grant Bonus	Performance Bonus	Total
CEO	600,000.00	435,000.00	1,035,000.00
CFO	282,855.00	219,213.00	502,068.00
General Manager	270,032.00	209,275.00	479,307.00
Deputy General Manager	173,768.00	139,014.00	312,782.00
CIA	224,640.00	179,712.00	404,352.00
Company Secretary	139,382.00	114,990.00	254,372.00
Deputy Managers (6)	272,904.00	201,528.00	474,432.00

Assistant Managers (8)	447,294.00	362,624.00	809,918.00
Officers'/officials'/staff	27,592,676.00	32,537,987.00	60,130,663.00
TOTAL	30,003,551.00	34,399,343.00	64,402,894.00

Audit is of the view that concurrence of Ministry of Finance and approval of administrative Ministry/Division was not sought. Hence, payment of Rs 4.145 million as Bonus and Eid Grant to the employees was held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that Finance Division vide its letter dated 20-March-07 has confirmed that the Boards of Directors of Public Sector Companies have full financial powers over their own budgets as long as their decisions do not impact the Federal/Provincial budgets. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.25 Excess payment on account of excess quantity of asphalt - Rs.55.313 million

Rule 04 of PPRA 2004 states that the procuring agencies while engaging in procurement, shall ensure that the procurement 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 Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contract for construction of Roads in Package 2, Phase-II of Bin Qasim Industrial Park (BQIP) development work was awarded to M/s Haji Syed Ameer & Brothers at a cost of Rs 452.199 million in 2019. Details of excess quantity and amount is as under:

S#	Road	Length (Meters)	Width (Meters)	Design Thickness of Asphalt Wearing Course (Meters)	Volume of Asphalt Wearing Course Used (Cubic Meters)
1	AR 1	918.71	18.6	0.05	854.4
2	AR 2	1513.08	18.6	0.05	1407.16
3	AR 3	2420	18.6	0.05	2250.6
4	AR 4	689.33	9.3	0.05	320.53845
5	AR 5	1007.5	18.6	0.05	936.975
				Total	5769.67815

Description	Rs.
Total Volume of Asphalt Wearing Course Used (Cubic Meters)	5769.67815
BOQ Volume of Asphalt Wearing Course Used (Cubic Meters)	3512
Excess Volume of Asphalt Wearing Course Used (Cubic Meters)	2257.67815
Unit Rate of Asphalt Wearing Course per Cubic Meters	24,500
Cost of Excess 2257.67815 Cubic Meters	55,313,115

Audit is of the view that excess payment due to excess quantity was unjustified and held irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that Audit has mistakenly included AR-02 and AR-04 to the calculation whereas these roads were not included in Package-II. Further there is no actual excess payment made. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.26 Irregular award of road contract at higher cost - Rs.47.497 million

Rule 4 of PPRA, 2004 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s Kazi Nisar was awarded contract of Package VII in BQIP (Phase-III) development works at a cost of Rs.799.903 million for construction of Infrastructure works, Office Building, Rescue Building, Boundary Wall and Watch Towers. A total of 1.07742 Km of Road was to be constructed at a per Km cost of Rs. 168,499,822, whereas the same contractor was given the contract for constructing 4.38 Km of Roads in Package I at a per Km cost of Rs 121,002,454 which was 39% lower. The detail is hereunder;

Amount in Rs			
Cost per Km in Package I	Cost per Km in Package VII	Increase in Cost per Km	% Increase
121,002,454	168,499,822	47,497,368	39

Audit is of the view that award of work at higher cost was unjustified and staggering increase of 39% of per Km cost was also held irregular.

The matter was reported to the management in June, 2023. The matter was discussed in DAC meeting held on December 13, 2023. The management informed the DAC that the tender dates of Packages I & VII were October 2018 and December 2021 respectively. Over a period of 03 years the price variation has been very significant, therefore, the prices quoted cannot be compared. Secondly, the bids were not on per km basis. It may be noted that the BoQ items of roads for the two projects were also not identical. The tenders were awarded through bidding under PPRA and no irregularity has been pointed out. The DAC directed the management to get the documents verified by Audit.

Audit recommends implementation of the DAC directives.

9.2.4.27 Non-imposition of liquidity damages due to delay in completion of feasibility study - Rs.43.000 million

As per para C-2(iii) of PEC Bidding Instructions Single Stage – Two Envelopes (SSTE) Bidding Procedure, the amount of the Liquidated Damages for each day of delay in completion of the whole of the Works, or if applicable for any Section thereof, shall be a sum equal to 10 % of the likely cost of the Works divided by one-fourth of the number of days specified as completion time.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management awarded the contract for preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park (KIP) on 1,500 acres of Pakistan Steel Mills Land on June 07, 2022 at a cost of Rs.430.702 million to M/s Surbana Jurong-JV. The agreement was signed on June 07, 2022 for completion of work by February 08, 2023. However, as of June 30, 2023, the report was not completed by the consultant.

Audit is of the view that management failed to impose liquidity damages of Rs.43.000 million on account of delay which reflected undue favor.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the land belongs to PSM which required extensive jungle cutting for detailed survey and design. The contract for site clearing was awarded but the work was stopped due to interference from certain local encroachers. Currently, land clearance has resumed and M/s Surbana Jurong has re-initiated their work. Since the delay is not on part of the consultant, therefore no penalty is justified and no such provision is in the contract either. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.28 Variation of figures of contractor & consultant's report - Rs.39.797 million

Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2017 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, in accordance with the Ordinance.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that Package VI, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Gul Construction for a total amount of Rs.114.906 million for construction of Water Distribution and Sewerage Networks adjacent to Internal Roads. It was observed that there was variation in Work Done Figures in IPCs vs M/s Asian's Report in Package VI, as detailed below:

S. #	Description	Package VI (Rs)	Work Completion in terms of
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			contract value (%)
1	Work done as per IPCs I & II Paid excluding Mobilization Advance	14,856,546	-
2	Work done as per Pending IPC-03 Package VI submitted by M/s Gul	49,807,020	-
3	Total Work done as per IPCs submitted (1+2)	64,663,566	56.27
4	Work done as per Asian Report on work completed by M/s Gul in Packages VI	24,866,312	21.64
	Variation	39,797,254	35%

Audit is of the view that variation of figures up to 35% reflected negligence and slackness.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the IPC # 1 & 2 were received by PIDC from the Consultant after their verification and accordingly Rs 14,856,546 against IPC # 1 & 2 were paid to the contractor as per the procedure. As per PIDC record, IPC-3 was neither received nor paid. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.29 Excess payment to contractors beyond BOQ/ unexecuted works - Rs.36.314 million

Rule 04 of PPRA 2004 states that the procuring agencies while engaging in procurement, shall ensure that the procurement 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 Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that that the management awarded various contracts in excess of BoQ quantities as detailed below:

- Contract for Package III, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Kazi Nisar-Shangrilla JV at a cost of Rs.181.742 million. However, excess quantities in 08 items amounting to Rs.1.553 million were supplied by the contractors.

Excess payment to contractors beyond BOQ/ unexecuted works - Rs.36.314 million								
S.#	BOQ Items-Civil Works	BOQ			Total Work Done		Excess	
		Unit	Rate	Qty	Qty	Amount (Rs)	Qty	Amount (Rs)
1	Jungle Cutting	Sq.m	58	70,000	70818	4107444	818	47444
2	Excavation	Cu.m	550	5141	6024.442	3313443	883	485893.1
3	Cement Plaster 20 mm thick	Sq.m	510	42173	42192.49	21518170	19	9939.9
4	Moisture Protection of RCC surfaces using Industrial Bitumen Paint	Sq.m	178	8310	12716.97	2263621	4,407	784440.66
5	MS Gate	Sq.m	4670	108	114.58	535,070	7	30728.6
6	Removal of existing GI sheets	Sq.m	381	225	264.04	100599.2	39	14874.24
7	Fiber Glass Sheet Corrugated type 2 layer, one layer 450 GSM and second layer 300 GSM, thickness 2.4 mm to 2.7 mm approx.	Sq.m	4252	225	264.04	1122698	39	165998.08
8	Remove and provide/fabrication	R.m	2300	17	23	52900	6	13800

	and erection of office roof drain						
		Total					1,553,119

- Contract for Package III, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Kazi Nisar-Shangrilla JV at a cost of Rs 181.742 million. The contract consisted of three components Boundary Wall, Watch Towers and Rehabilitation Work. No watch tower could be constructed while a net total of Rs 133,053,915, Thus, an amount of Rs 7,538,333 was paid in excess to the contractor.
- Contract of Package V, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Gul Construction at a total amount of Rs.148.918 million for construction of Water Distribution and Sewerage Network adjacent to Main Road. However, management made an extra amount of Rs. 20.049 million to the contractor.
- Contract of Package VI, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Gul Construction for a total amount of Rs.114.906 million for construction of Water Distribution and Sewerage Networks adjacent to Internal Roads. However, a total of Rs.7.174 million was paid extra to the contractor for 933 meters of excess Water Supply pipping.

Audit is of the view that the management made excess payments amounting to Rs.36.314 million beyond BoQ and unexecuted work which reflected undue favor.

The matter was reported to the management in June, 2023.

- A. The management informed the DAC that the payment has been made on the basis of actual work done in compliance with the contractual provision as quoted above and well within 15%.
- B. The management informed the DAC that the total amount of boundary wall civil work as per contract / BOQ is 177,035,354/-, which includes 8 Nos of watch towers cost also. Due to inclusion of the watch tower cost, calculating boundary wall per meter cost in this way is not correct. Total amount paid to the contractor as per actual work done at site after verification from consultant and no excess payment was made.
- C. The management informed the DAC that the work has been done as per the drawing prepared by the Consultant. The actual work done at the site is also verified by the Consultant and is in accordance with the standard PEC contract condition. It is however submitted that such significant variance in estimation reflects on the poor work of the consultant i.e. M/s ZCL whose contract was not extended.

DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 387, 388, 419 & 433)

9.2.4.30 Purchase of land above PC-I provision – Rs.32.500 million

Rule 04 of PPRA, 2004 states that the procuring agencies while engaging in procurement, shall ensure that the procurement 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.

As per PC-I pertaining to “Sargodha Industrial Park (SIP)”, the proposed Industrial Park was to be located at Chak#53 Shumali (North) close to canal about 07 Kms from Sargodha City center and set up over an area of 100 acres out of which 50 acres were to be developed in the first phase. A total of Rs.434 million was allocated under various heads including purchase of Land amounting to Rs.100 million.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management purchased area of 100 acres land for Sargodha Industrial Park (SIP) at Sargodha City from Mr. Muhammad Zubair Bhatti on July 06, 2012 amounting to Rs.132.5 million against PC-I provision of Rs.100 million.

Audit is of the view that purchase of land beyond PC-I provision shows poor financial management. Hence, purchase of land in excess of PC-I stand irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the amount incorporated in PC-I was tentative and based on available data at that time. The land was procured by NIP through open competitive bidding. The DAC directed to conduct a fact-finding inquiry at the Ministry level.

Audit recommends implementation of DAC directives.

9.2.4.31 Irregular addition of drainage line in scope of work – Rs.27.000 million

Rule 42 © of PPRA states that a procuring agency shall only engage in direct contracting if the following conditions exist, namely: -

- i. The procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier:
- ii. Only one manufacturer or supplier exists for the required procurement:
- iii. Where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance:
- iv. Repeat orders not exceeding fifteen per cent of the original procurement;
- v. In case of an emergency:

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s Kazi Nisar & Shangrilla JV were awarded two Packages (I & III) in BQIP Development Work Phase II. However, addition of drainage line in Scope of Package 1 was done by the Board without due process.

Audit is of the view that addition in scope of work without due process and approval is tantamount to direct contracting and therefore held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that M/s KIA Motors Corporation is an important Operational Unit at BQIP on 100-acre land but was not yet connected with the sewerage network. As the process of hiring a new contractor as per PPRA had to take substantial time, therefore the board of directors after due deliberation unanimously approved an estimated cost of Rs. 27 million in Package-I contract M/s. KNA & Shangrila (JV) for the sewerage line for M/s. Lucky Motors Corporation”.

The DAC directed the management to conduct a fact-finding inquiry and share the report with Audit.

Audit recommends implementation of DAC directives.

9.2.4.32 Irregular award of security services contract – Rs.24.298 million

Rule 4 of PPRA, 2004 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that tender for provision of security services for PIDC Head Office Karachi and Regional Offices at Lahore, Faisalabad & Sheikhpura was advertised on 06 June, 2022. Bids submission date was 20th June, 2022. The management awarded the contract to M/s Safety & Security Services @ Rs 1,012,446 per month for a period of one year extendable to two years on 26 July, 2022, whereas, M/s National Police Foundation was declared non-responding bidder on 26 July, 2022 despite the fact that before this tender security services were being provided by this company w.e.f 01-07-2021 and their further services were terminated on July 26,2022. Audit observed following irregularities:

1. Single stage-two envelope method of bidding was used. Financial proposals that were deemed technically non-responsive should have been returned to the respective bidders, unopened. However, M/s National Police Foundation's financial bids were opened.
2. According to the contract, a performance guarantee equal to two months of compensation had to be deposited within one week; however, that guarantee was deposited on January 31, 2023, six months later.
3. Registration of Security Guards was not with EOBI/SESSI.

Audit is of the view that tender process was not conducted in a transparent manner as mandatory requirements of the bidding documents were not met by the successful bidder.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that Audit overlooked the method used for bid evaluation was Quality cum Cost, with weightages of 70:30 mentioned in the RFP. Therefore, the award was as per PPRA. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.33 Non-recovery from Ex-CEO – Rs 17.734 million

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

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that Mr. Gul Muhammad Rind, an officer of Secretariat Group BS-22 was posted as CEO of PIDC in November 2009 for the period of three years. During his posting, he committed following multiple irregularities and received an amount of Rs.17.734 million which was irregular. The matter was highlighted in February 2014, however, despite lapse of around 09 years, the management did not take any action for recovery of irregular payment from Ex-CEO and officers/ officials of PIDC.

S #	Subject	Amount (Rs. in million)
1.	Irregular and unjustified fixation of pay	5.396
2.	Irregular payment of leave encashment	6.640
3.	Irregular sale of car to on book value	1.294
4.	Irregular payment of Bonus	2.684
5.	Irregular Establishment of NGO	1.720
Total		17.734

Finally, in August 2022, the management lodges a suite for recovery in the Court of XIIth Senior Civil Judge at Karachi, South. The case was lodge after around 8.5 years without attachment of any property of the Defendant (Mr. Rind).

Audit is of the view that the management failed to take any action for recovery of irregular payment against Ex-CEO / officers of PIDC. Further, the management extended undue favour to the Ex-CEO by not taking any action or putting the matter in the court of law without attachment of any property and after lapse of considerable time.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to take opinion from reputed Law Firm regarding Civil and Criminal facts and submit to Ministry for onward submission to Law Division.

Audit recommends implementation of the DAC directives.

9.2.4.34 Irregular secured advance payment to contractors - Rs.15.923 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that excess advances in addition of mobilization advance were given to contractors as Secured Advance during Phase II- Development Works in BQIP as detailed below:

S#	Description	Contractor	Secured Advance Amount (Rs.in million)
1	Package 3	M/s Kazi Nisar & Shangrilla JV	7.4
2	Package 5	M/s Gul Construction	4.992
3	Package 6	M/s Gul Construction	3.531

Total	15.923
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Audit is of the view that secured advance payments to the contractors reflected negligence and poor financial management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the secured advance was given in accordance with the clause 60.11 of the standard contract, and the recovery of Secured Advance paid to the Contractor has already been made from the subsequent bills. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.35 Overstay of Board Members beyond three years – Rs.13.250 million

Rule 3 A (1) of Public Sector Companies (Corporate Governance) Rules, 2013 states that a director, once appointed or elected under Section 180 or Section 178 of the Ordinance, shall hold office for a period of three years, unless he resigns or is removed in accordance with the provisions of the Ordinance.

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

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that following Chairman / Directors of PIDC Board overstayed beyond three (03) years in violation of Rules:

S#	Name	Position	Date of appointment	Status
1.	Mr. Ghulam Sarwar Khan	Chairman	26-06-2014	To date
2.	Mr. Muhammad Ishaq Butt	Independent Director	26-06-2014	-
3.	Prince Muhammad Isa Jan	-	26-06-2014	-
4.	Mr. Muhammad Ali	-	26-06-2014	-
5.	Mr. Rizwan Ahmed Bhatti	CEO, PIDC	09-08-2016	-
6.	Dr. Imran Ullah Khan	Non-ED	16-03-2018	02-03-2022
7.	Mr. Hashim Raza	-	15-01-2020	To date
8.	Brig. © Shujah Hassan	-	19-08-2020	-
9.	Ms. Bushra Naz Malik	-	31-05-2016	-

Audit is of the view that non-transfer /removal of Chairman and Directors since 2014 shows undue favour and negligence on part of management.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management accepted the audit point of view. DAC directed that the steps may be taken for reconstitution of Board through Ministry.

Audit recommends implementation of the DAC directives.

9.2.4.36 Loss of revenue due to non-renting out of vacant spaces – Rs.8.886 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it observed that an area of 10,525 sq.ft was lying vacant at PIDC Buildings in Karachi, resultantly, Corporation was deprived of rental income of Rs 8.886 million as detailed below:

S#	Location	Floor	Date of Vacancy	No. of Months	Area (Sq. Ft.)	Rate per Sq.Ft.	Total Amount (Rs)
1.	Finance & Trade Center	2 nd	Dec-2022	06	2,200	195.56	2,581,392
2.	Progressive Plaza	1 st	Nov-2022	07	6,325	107.17	4,744,951
3.	SCCP Dalmia Office	Ground	Nov-2021	19	2,000	41.06	1,560,280
Total				32	10,525	343.79	8,886,623

Audit is of the view that the management failed to take concrete efforts to rent out the vacated buildings / spaces, which deprived the Corporation from the due monetary benefits of Rs.8.886 million on account of rental income.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to make vigorous efforts to rent out the vacant spaces and intimate the progress to Audit.

Audit recommends implementation of the DAC directives.

9.2.4.37 Irregular procurement of various items on splitting basis - Rs.8.821 million

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

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that various procurements amounting to Rs 8,821,243 including vehicles, office equipment, computers and chairs etc. were made by the management using quotations by splitting instead of bulk purchases using tender.

Audit is of the view that the management splitted the items to avoid tendering which reflected gross violation of rules.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023. The management informed the DAC that all the procurements made by PIDC/NIP during the year 2021-22 were procured on the basis of requirements received from various departments. Additionally, all the items mentioned in the below list are of miscellaneous nature, therefore, it is impossible to procure items of different nature from a single company/vendor through bidding. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.38 Irregular Award of Janitorial Services Contract – Rs. 5.749 million

Rule 27 of PPRA Rules states that the procuring agency finds it necessary to extend such deadline; it shall do so only after recording its reasons in writing and in an equal opportunity manner. Advertisement of such extension in time shall be done in a manner similar to the original advertisement.

Rule 31 (1) of PPRA Rules states that No bidder shall be allowed to alter or modify his bid after the bids have been opened. However, the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid.

During the audit of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC) for the fiscal year 2021–2022, it was observed that first bids were called for Janitorial Services on February 21, 2021. Last date of submission and opening was 9th March, 2021. All the 09 bids were subsequently revoked after opening without providing reasons/justifications in writing. Then, on March 14, 2021, re-tender notice was published wherein single stage-two envelope bidding procedure was adopted. Financial bids were opened on March 31, 2021 in which 04 bidders participated and M/s The House Keepers was awarded the contract for three years at a rate of Rs. 159,705 per month.

Audit observed following irregularities in procurement process:

- i. First tender bids were revoked without providing any justification. Prior to inviting rebids, the procuring agency is required to evaluate the grounds for rejection which wasn't done in this case.
- ii. The bid of M/s The Housekeeper was changed after it had been opened in violation of rules. The Bidder asked and agreed to accept 5.5% less than the rates it had stated in the financial bid. The bids were opened on March 31, 2021, but interestingly, the bidder had already received the service contract agreement on March 21, 2021.
- iii. Since the date was not stated on the technical evaluation summary, the audit was unable to determine when the technical evaluation was completed or whether it was new or the previous one.

Audit is of the view that tender process was not conducted in a transparent manner flagrantly violating PPRA rules.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 14, 2023. The management informed the DAC that the procuring agency can reject some or all bid/offers as per PPRA rules. New tendering process was carried out, in which M/s House Keepers quoted 5.5% below rates. It is pertinent to mention here that technical evaluation was carried on 9-4-2021. Furthermore, the effective date of the Service Contract is 1-4-2021 rather than 21-3-2021. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.39 Irregular appointment of Manager (IT) - Rs.4.500 million

According to the advertisement dated 24-3-2020 for the post of Manager Information Technology (IT) the required qualification was BS in IT / related field with Microsoft server/ Specialist Certificate and 5-10 years' experience in Managing MIS/ IT Department of reputable organization.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management appointed Mr. Faisal Ahmed Malik as Manager (IT)

on 26-06-2020 at a salary of Rs.125,000 per month along with other perquisites. However, the management rejected suitable candidates having relevant qualification / experience and appointed Mr. Faisal despite that he did not even possess the required qualification and experience. He was awarded 21 out of 25 marks in the qualification criteria.

Audit is of the view that management extended undue favor to the incumbent by appointing him as Manager IT without relevant qualification and by rejecting the other more suitable candidates. Thus, appointment of incumbent and payment of salary of Rs 4.500 million (Rs 125,000*36 months) stands irregular/ un-justified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023. The management informed the DAC that Mr. Faisal Malik had substantial experience working both nationally and internationally in the field of IT with a degree in BS (Electronics Engineering) from Sir Syed University of Engineering and Technology and specialized IT certifications (MS CP, MS Server Specialist). Since the profile of Mr. Faisal was in compliance with the prescribed criteria and he also got the highest marks in the interview, hence, he appeared to be the most suitable candidate for the position. It may be noted that engineering degrees are considered a more in-depth study of their respective fields. IT Infrastructure and IT electric devices/circuits are covered under electronics engineering also. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.40 Unjustified award of contract at exorbitant rates - Rs.4.134 million

Rule 4 of PPRA, 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s Kazi Nisar was awarded contract of Package VII in BQIP Phase-III development works at a cost of Rs.799,903 million for construction of Infrastructure works, Office Building, Rescue Building, Boundary Wall and Watch Towers, disregarding the fact that the same contractor had not completed even a single out of 8 watch towers in Package III- Phase-II of BQIP. Further, in this tender the contract for construction of 8 watch towers is again awarded to the same contractor at a cost Rs 7,756,586 which is 114.12 % higher than the previous cost given by same contractor for same items. The difference in cost is hereunder;

Total Cost of 8 Watch Towers Package VII-Phase III	7,756,586
Total Cost of 8 Watch Towers Package III-Phase II	3,622,630
Difference	4,133,956
Increase in Cost %	114.12

Audit is of the view that the award of work was irregular as the contractor had not successfully completed execution of the work in another similar work and award of work in instant case was at exorbitant cost.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that Phase-II Package-III tender date is October 2018; and Phase-III Package-VII tender date is December 2021. Over a period of 3 years (2018 – 2021) there have been significant changes in the costs and comparing the two periods would not be logical. The watch towers were not completed in pervious package III because some area of Package-III boundary wall work could not be completed due to claim of land by Pakistan Railway inside BQIP area. As the issue took around 2 years to settle the remaining part was included in Package-VII. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.41 Irregular appointment of Assistant Manager (Estate) - Rs.3.440 million

According to the advertisement dated 02-08-2019 for the post of Assistant Manager Estate, the required qualification and experience was MBA / BE with minimum relevant experience of 10 years.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management appointed Mr. Hamza Baloch as Assistant Manager (Estate) on 07-11-2019 at a monthly salary of Rs.80,000. Following irregularities were observed:

- He possessed less than two (02) years relevant experience against the required minimum of 10 years.
- He provided an MBA degree from Greenwich University but it does not offer “MBA in Finance” instead it offers MBA Business and Finance (B&F), this was highlighted by HEC.
- The year of passing of degree was 2013 while in declaration, the year of passing is 2007.
- Further, he has submitted an experience certificate w.e.f October 05, 2005 to November 10, 2007 as Finance Executive from Paragon City which is located in Karachi but during the said period, he was studying MBA in Finance from Greenwich University in Quetta as per his declaration. Also, Greenwich University Pakistan does not have any campus in Quetta.

Audit is of the view that management extended undue favor to the incumbent by without him having the required relevant experience. Thus, appointment of incumbent and payment of salary Rs.3.440 million (Rs.80,000*43 months) stands irregular / un-justified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the position of Assistant Manager Estate was advertised on 02nd August, 2019 in compliance with the Government stipulated recruitment procedure and as per the requirements of the Company. The interview committee found Mr. Hamza Baloch to be the most suitable candidate for employment. It is important to mention here that the field of Industrial Estate Management is an exclusive niche and therefore there is a great dearth of candidates with the specific required experience of Industrial Estate Management. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.42 Irregular payment during stay orders of court – Rs. 3.319 million

Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2017 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, in accordance with the Ordinance.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contract for Packages I, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Kazi Nisar-Shangrilla JV for a total sum of Rs. 529.990 million. It was noticed that said Package was substantially completed and taken over on 28.12.2021. Moreover, there was court's stay order on hiring of fresh contractor in BQIP in place from 22.12.2021 till 31.08.2022. However, upon inspection of record it came to light that IPC-7 amounting to Rs. 3,319,749 against work done was paid during the period of court's stay order in June 2022.

Audit is of the view that despite substantial completion and take over of the project by 28.12.2021, the contractor was paid Rs.3.319 million for work done as per IPC 7 during the period of court stay order, hence payment of Rs.3.319 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the court stay order affected only two specific new packages VII & VIII of Phase III within the BQIP project, and as a result, those packages (VII and VIII) were not awarded to any contractors. The rest of the BQIP project Phase-II continued as per the contract agreements against which there was no Court stay. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.43 Un-justified and irregular appointment of Research Associates-Rs.2.095 million

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

Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees / Board.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that Board Human Resource Committee (BHRC) in its meeting held on 27-06-2022 approved the setting up of a three-member Industrial Research & Analysis (IR&A) team / cell as proposed at an approximate monthly lumpsum remuneration of Rs 80,000-100,000/- each. Given the urgency, the CEO PIDC is authorized to immediately hire suitable candidates from the available HR database for a period of 3 months. PIDC shall simultaneously start the process of hiring for the positions through due process within 6-8 weeks at appropriate terms and conditions. The management hired the Research Associates with the justification for setting up PIDC IR&A Cell at Islamabad: that PIDC is undergoing a transformation and

one of its emerging roles after merger of NIP is to develop Industrial Zones on behalf of the Federal Government it was agreed that PIDC should also undertake Industrial Research Projects to provide support to the Ministry in policy making.

Later on, management appointed the following incumbents as Research Associates for a period of 3 months and subsequently rehired for period of one year extendable with mutual consent:

S#	Name	Salary	Period	Amount (Rs.)
1.	Mr. Ahmad Hafeez	90,000+ 32,377 (120-liter petrol cost)	08 months	979,016
2.	Ms. Maham Naeem	90,000+32,377 (120-liter petrol cost)	2 months	244,754
3.	Mr. Bilal Aftab	90,000+32,377 (120-liter petrol cost)	-	240,000
4.	Ms. Jawaria Anjum	62623+32,377 (120-liter petrol cost)	08 months	760,000
Total				2,223,770

Further, it was also observed that PIDC had a full fledged Research & Evaluation Department and during the period management conducted different/ above research/ feasibility on behalf of the MoIP through different consultants and paid huge amount to them ranging from Rs.2.5 million to Rs.0.45 million.

Furthermore, management appointed Ms. Jawaria Anjum as Research Associate vide letter dated 23 November 2022 without advertisement / Selection Committee / codal formalities / competitive process in violation of above rules.

Audit is of the view that management took an irrational decision for hiring of Research Associates and one of them without full filling codal formalities to accommodate the above incumbents at the cost of the Corporation despite having own Research Department. Thus, the Corporation sustained a loss of Rs 2.223 million on account of salary & allied benefits.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management informed that on the request of the Ministry, three Research Associates from leading universities were hired and attached with Ministry on urgent basis for 03 months after Board approval. Subsequently, 1-year contracts were given through transparent advertisement process, but only one is currently working. The Chair showed displeasure and raise query that it was not in his knowledge that such resource is working under him. As far as Ms. Jawaria was also shortlisted and ranked No. 4 in the merit list. Subsequently, one of the RA resigned and she was offered the vacant position as the waiting candidate. DAC directed that research assignments may be shared with audit and Ministry.

Audit recommends implementation of the DAC directives.

9.2.4.44 Irregular appointment of external auditor - Rs.1.615 million

According to 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that it was observed that management appointed audit firms namely M/s. BDO Ebrahim and M/s Baker Tilly without obtaining concurrence of the Auditor General of Pakistan. The details of payments are as under:

Description	Amount(Rs)
Audit of the financial statement for the year ended June 30 2020 (M/s BDO)	356,400
Paid against Audit of FY2021, Assurance Report, Review of COCG 2016, SUKUK payment and Audit of FY 2012 & 2013(M/s BDO)	540,500
Audit fee of NIP PF for year 2014, 2015 & 2016 (M/s BDO)	53,460
Audit of Financial Statements of "Aik Hunar Aik Nagar" for the year ended June-30, 2021 (M/s BDO)	207,900
Daily Allowance to Baker Tilly auditors for the half yearly review of PIDC for the period ending Dec31-2021. (M/s Baker Tilly)	24,800
Recording payment of professional fee for review of financial statements of PIDC for the period ended 31st Dec-2021. (M/s Baker Tilly)	432,000
Total	1,615,060

Audit is of the view that the appointment of external auditors without the concurrence of the Auditor General of Pakistan was held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that PIDC is a Public Sector Private Limited Company, governed under the provisions of the Companies Act, 2017 and Public Sector Companies (Corporate Governance) Rules, 2013 PSC (CGR). In accordance with rule 21 of the PSC (CGR), the Audit Committee of the Board recommends the appointment of an external auditor to the Board of Directors and subsequently, the Board approves and recommends it to shareholders for final approval in the General Meeting. PIDC appointed external auditors in accordance with rule 23 of the PSC (CGR) which complies with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as applicable in Pakistan. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.45 Irregular promotion of Ex-Assistant (NE-VII) as Assistant Manager

Rule 5 c (ii) of Public Sector Companies Corporate Governance Rules 2013 states that ensuring equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. The Board may nominate a committee consisting of one of its

members or senior Executives for investigating, where necessary on a confidential basis, any deviation from the company's code of conduct.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that Mr. Saleem was promoted and later appointed as Assistant Manager Transport in 2015. Before the said promotion he was appointed in Grade VIII-NE on 01.04.2012 and had not yet completed 5 years in the existing grade required for promotion. The record reflected that the process of his promotion was hurriedly carried out by Ex-GM Admin Mr. Ashfaq Ahmed, the said Ex-GM Admin is currently in suspension in compliance of PAC directive on account of misconduct in affairs of PIDC during his tenure. A memorandum was issued on January 01, 2015 (Thursday) by GM (A&P) wherein 06 employees from Non-Executive Cadre including Mr. Saleem were offered promotion and were required to convey their acceptance within two days (On Friday). Subsequently only Mr. Saleem who was at no. 5 in that list gave his approval on the same day while the others didn't have enough time to respond.

Audit is of the view that promotion and appointment of Assistant Manager, at the age of 44 years having only passed Intermediate (E Grade) without any advertisement/due process and required service of 05 years in his previous Grade, was not in order.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 14, 2023. The management informed the DAC that Mr. Muhammad Saleem was appointed as Naib Qasid on 19.10.1989 against the sanctioned vacant position. Hence, to fill up the vacant position of Assistant Manager (Transport), the most suitable person i.e., Mr. Muhammad Saleem was already available. Hence, he was promoted to Assistant Manager (Transport) with effect from 01.02.2015 since then he has been performing the duties of AM (Transport) satisfactorily. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.46 Irregular appointment and benefits allowed to Chief Financial Officer

Rule 14(2) of Public Sector Companies (Corporate Governance) Rules, 2013 states that no person shall be appointed as the chief financial officer of a Public Sector Company unless he is,

- a) A member of a recognized body of professional accountants with at least five years relevant experience, in case of Public Sector Companies having total assets of five billion rupees or more; or
- b) A person holding a master degree in finance from a university recognized by the Higher Education Commission with at least ten years relevant experience, in case of other Public Sector Companies.

Eligibility Criteria in the Advertisement:

1. FCA/ACA/FCMA/ACMA or equivalent
2. 15 years of relevant experience at large local or multinational companies
3. Some exposure of Public Sector Companies will be an advantage
4. Max Age 50 years

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that the advertisement for the post of CFO PIDC was published in DAWN on 15.12.2019 and Mr. Saleem was selected as CFO by a special 133rd meeting of the Board of Directors who joined PIDC on 01.03.2019. The Advertisement was published without requisite details and the eligibility criteria did not match with required criteria of PSC Rules. Mr. Saleem at the time was over 50 years of age. Matter of his irregular appointment was later placed before BoD. Board in its 138th Meeting held on June 30, 2021 directed to advertise the position of CFO with an age limit of 55 years. Thus, he was re-appointed by extending the upper age limit to 55 years through advertisement published on 31.07.2021. The Interviews were conducted by 31st HR committee on October 4, 2021 instead of the Board. Three members were made part of the HR Committee on Special invitation who favoured re-appointment of the incumbent CFO. Record of his re-appointment was not provided to Audit. The excerpts of data were found in the file of recently hired Manager Finance.

Besides, following irregularities were also observed;

1. He availed irregular additional charge allowance by not assuming regular charge of CFO PIDC despite resignation of Ex-CFO on 12.01.2020 and issuance of his appointment letter on 15.01.2020. He resigned as CFO NIP on 30.01.2020 and assumed regular charge in PIDC on 01.03.2019.
2. He worked with Deloitte Yousuf Adil from 1990-1997. Since his appointment as CFO, the same firm has been appointed as Tax Consultant, Internal Audit Consultant and R&E consultant. One of the references in the declaration given by him is also a partner at Deloitte Yousuf Adil.
3. Since his appointment as CFO first in NIP in and later in PIDC, the management has started accepting performance securities issued by non-reputable insurance companies such as UIC and EWI. The contractor M/s Gul Construction, whose bank guarantee was later found to be forged, had sought performance securities from UIC for his two other projects which were also terminated by PIDC.
4. Mr. Saleem was given a 1.6 Altis Corolla beyond his entitlement category in NIP which he retained after leaving where he only served for 9 months. After joining PIDC he got a new Toyota Yaris-1300 cc car. The Corolla Altis was given to him on buy back against the rules that the car had to be in custody of the user for at least 5 years. The car still appears in the books of the company as an un-depreciated asset.

Audit is of the view that the management has extended undue favour to the incumbent first in his appointment and then by giving him irregular benefits such as higher than market salary, extra fuel and allowing retention of NIP vehicle.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 14, 2023. The management informed the DAC that publishing advertisements anonymously is an allowed practice to avoid references and pressures. Furthermore, the transparency of the hiring process of the CFO was ensured by complying with the relevant recruitment policy and the rules which included the publishing of the advertisement, the submission of applications, shortlisting and conducting interviews. Public Sector Companies (Corporate Governance) Rules, 2013 only mentioned the basic criteria for the appointment of CFO and It is the prerogative of the PSC to set any additional criteria.

It's important to note that all recommendations from the committee meetings received subsequent approval from the Board. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

9.2.4.47 Irregular appointment, promotion and regularization of company secretary

According to Section 14 (4) of Public Sector Companies (Corporate Governance) Rules, 2013 states that, no person shall be appointed as the company secretary of a Public Sector Company unless he is a (c) Person holding a master degree in business administration or commerce or being a law graduate from a university recognized by the Higher Education Commission with at least five years relevant experience.”

The advertisement dated April 24, 2002 for Internship stated that the selected internees shall be offered internship for a period of six months to one year on fixed monthly stipend with no commitment for subsequent absorption in permanent cadre.

Clause No. 10 of the letter No. Per./Rectt. /Internees/05 dated Aug 30, 2002, stated that there is no assurance of your employment/appointment in regular cadre upon completion of your internship.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that following irregularities were found in the appointment, promotion and regularization of Ms. Humaira Adil:

- i. She was initially appointed as an Intern for 6 Months in Chairman Sectt w.e.f. 02.09.2002.
- ii. She (an MBA) was appointed against an engineering vacancy in Executive Grade II.
- iii. Her contract was renewed for further four (04) years in addition to 02 already served with pay increases without seeking approval of the competent authority (01.07.2007 to 30.06.2009 for 02 years & again w.e.f 01.07.2009 to 30.06.2011 for further 02 years).
- iv. She was appointed as Deputy Manager PPME in E-III on contract basis on July 12, 2010 against the five years' experience required for promotion.
- v. Her services were regularized by BoD without mentioning of specific date for such regularization.
- vi. She was confirmed in Grade E-III as Dy. Manager PPME on July 12, 2011 and later promoted to Executive Grade E-IV as Manager PPME Division on the next day w.e.f. July 13, 2011. The post of Deputy Manager (PPME Grade III) held by her was upgraded to Grade IV w.e.f her promotion.
- vii. In compliance of DAC directives on Special Audit Report of PIDC for the year 2010-11 to 2012-13, she was reverted to Grade III and posted as Deputy Manager HR on March 31, 2021. However, recovery of excess payments made to her during the said irregular period is still pending. Further, the management in supersession of DAC directives restored her as Manager on same salary with back date promotion w.e.f 13.07.2015.
- viii. On June 03, 2019, she was re-designated as Manager (Corporate Affairs) besides working in CEO's Secretariat. On June 30, 2020, the charge of HR Department was given to her temporarily till the appointment of permanent Head of HR by the orders of CEO, Mr. Rizwan Bhatti. On the same day, she was notified to be Company Secretary w.e.f. 01.07.2020. She holds charge of three separate posts simultaneously.
- ix. The data provided by her in the declaration and data observed by Audit from her files is in contradiction to each other. In the declaration she has stated that she worked as Assistant Manager (Contract) PPME Dept PIDC w.e.f 02.09.2002 to 11.07.2010, however from her

- record it was observed that she was working as an internee from 02.09.2002 to 30.06.2005. After that she was hired as AM (Projects) w.e.f 01.07.2005 until her promotion on 12.07.2010.
- x. Further, as per her domicile, issued on 03-11-2010, the date of arrival in place of her domicile district Chakwal, Punjab was "Since Birth". However, as per her declaration, she was born, educated and living in Karachi since birth (02.03.1977).
 - xi. The unnumbered resolution notifying her appointment as Company Secretary was not made part of the Minutes of the subsequent Board meeting. It was signed by only 5 out of the 11 board members. The Chairman BoD has also not signed the resolution.
 - xii. She also did not possess five years of relevant experience required for the post of Company Secretary. She did not possess a Master's Degree from a HEC registered institution; instead she was an MBA (Finance) from Bahria Institute of Management and Computer Sciences. However, the said institute is not recognized by HEC.

Audit is of the view that internee extensions, conversion of internship slot into contractual appointment and subsequent appointment, regularization and promotion without meeting eligibility criteria and due process and variation of facts was not justified and are irregular. Further, the appointment of the Company Secretary was in violation of rules.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 14, 2023.

- A. The management informed the DAC that initially their internship was for six months which was extended upon recommendation of the department head, their internship was extended every 6 months as per the internship agreement till 2005 with the approval of the then CEO and Hon'ble Minister, IP&SI being Chairman, PIDC. In 2004, in the best interests of the organization CEO proposed the two internees (out of nine) working in the organization be inducted against the approved strength of two Assistant Managers in the PPME department. They were appointed as AM (PPME) on 1.7.2005 on contract basis. After serving for a period of more than 5 years in the capacity of AM (PPME) position, the services of Ms. Homaira Adil were regularized as DM (PPME) on a permanent basis in line with the Government policy to regularize the employees working on contract basis since 2007-08 after the endorsement/approval of the Board.
- B. The management informed the DAC that there was no false declaration submitted by Ms. Homaira Adil as she did not include the position-wise breakdown that she held at PIDC when she submitted the personal record form; rather, she just mentioned her present title at PIDC i.e. Assistant Manager (PPME) and the entire duration she had worked to date at that time. The domicile was issued on the basis of her permanent address mentioned on CNIC which was district Chakwal. Marital status and other particulars mentioned in the domicile were inadvertently filled on assumptions by the relevant office.
- C. The management informed the DAC that keeping in view the statutory nature, the Company Secretary's position cannot be left vacant, before the retirement of Mr. Zahid-ur-Rehman Mughal, Ex Company Secretary on June 30, 2020, the management executed a succession plan and recommended Ms. Homaira Adil to the Board as the most suitable internal candidate and to avoid additional cost by employing new Company Secretary. She also meets the eligibility criteria and has 7 years of experience as Manager, Corporate Affairs. Resolution by Circulation for the appointment of Company Secretary was placed before the PIDC Board for approval and was

approved in its 135th meeting held on September 3, 2020 which was accordingly reflected in the minutes. Please note that the Resolution by Circulation was signed by directors including the Chairman which was subsequently, approved as stated above.

DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP NO. 369, 370, 430 & 436)

9.2.4.48 Irregular appointment of Chief Internal Auditor

Rule 22 (2) of Public Sector Companies (Corporate Governance) Rules 2013, states that 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 and unless he has five years of relevant audit experience and is a, -

- 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.”

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that Mr. Naveed Rasheed was appointed as Chief Internal Auditor (CIA) in Grade E-V equivalent to DGM). Following irregularities were observed in his appointment:

- i. His total experience at Manager/Equivalent Grade was 2 years and 5 months which was less against the requisite criteria i.e. minimum 05 years of relevant experience in large local or multinational organization(s).
- ii. Instead of Board HR Committee, a two-member Committee comprising GM/HR & GM/Admin scrutinized/shortlisted the credentials and final selection Minutes were only signed by Chairman, BoD on 14.01.2020. He was extended undue favor by giving subjective and biased marking.
- iii. At the time of the interview, Mr. Naveed Rasheed was already serving as CIA, NIP which was in the process of merger with PIDC and he was also holding the charge of CIA, PIDC at the same time.

Audit is of the view that the management extended undue favour to the incumbent in the appointment which reflects negligence and slackness.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that although PIDC's name was not mentioned in the advertisement, however, it was clearly advertised that the position is vacant in a large public sector organization. At the time of advertisement on 15 Dec 2019, the CIA had a total experience of more than 14 years in audit out of which, he had experience of 8 years in managing the internal audit department. In any case, he met the requirement of PSC (CG) Rules, 2013 i.e. minimum 5 years of relevant experience in internal audit. PSC CG Rules, 2013 only mentioned the basic criteria for the appointment of CIA and it is the prerogative of the PSC to set any additional criteria. Shortlisting is an administrative task, which was delegated by the Board HR committee to GMs according to rules and

practices at PIDC. Board meeting minutes are only to be signed by the Chairman according to Rule No. 6(3) of public sector Corporate Governance Rules, which states that “The chairman of the Board shall ensure that minutes of meetings of the Board are appropriately recorded by approving them under his signature.” The Board awarded the interview marks by considering his profile and responses during the interview. His most relevant experience in Real estate and Development projects was a plus point. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.49 Irregular appointments on various key positions

Rule 5 c (ii) of Public Sector Companies (Corporate Governance) Rules, 2013, states that, ensuring equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. The Board may nominate a committee consisting of one of its members or senior Executives for investigating, where necessary on a confidential basis, any deviation from the company’s code of conduct;

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the process of hiring of employees was marred with irregularities as follows:

S.#	Name & Designation	Remarks
1	Mr. Aftab Shaikh Manager Technical	<ul style="list-style-type: none"> Irregular appointment without Advertisement. Six people had appeared for the interview of Manager Technical, he was not one of them. He had applied for the post of CTO advertised on 17.02.2019. Appointed as Manager Technical at a Salary of 180,000, his current salary as of 1.1.2023 is 273,312, an increase of 52% in 3.5 years. Also given a 1300 CC new car over and above the entitlement of his category. The whole process of interview till joining took less than 10 days, the interview was conducted on 21.06.2019, appointment letter issued on 26.6.2019, accepted on 27.6.2019 and joined on 1.7.2019. Experience certificate of PAF in his file is without proper letter head and stamped by Pak PWD Executive Engineer. In his CV he has mentioned he was working as Deputy Director from 2006 to 2009 in PAF. But his last tenure at PAF, as per the CV, is AD (Works) from March 2014 to June 2016. HR Head favoured him by giving following remarks in interview, " His profile is most suitable for the Manager Technical Position and his disposition is also good. As he has a military background, presentation and discipline are also up to mark. He is strongly recommended for the vacant position."
2	Mr. Faizan Khan AM Projects Supervision	<ul style="list-style-type: none"> As per PEC record working simultaneously for contractor Haji M Ramzan as well as his job at PIDC. The contractor is based in Punjab, interestingly Mr. Faizan has been looking after the Project Rachna Industrial Park which is also based in Punjab.
3	Mr. Zeeshan Manager R&E	<ul style="list-style-type: none"> Non- Recovery of excess payment in light of DAC directives w.e.f 01.06.2012 to 24.07.2014. PEC expired since 2002.

4	Mr. Abdul Khalique Estate Officer	<ul style="list-style-type: none"> • Date of advertisement is 02.08.2019. • Irregular appointment, undue favour given by committee members. • Mr. Khalique was unanimously recommended by all three members of the interview panel with following remarks: <ul style="list-style-type: none"> ○ Aftab Shaikh remarked, "He can be utilized for other jobs at KCIP"; ○ Javed Shaikh remarked, " Can be utilized as Mechanical Engineer Also"; ○ Asghar Mustafa remarked, " Khalique for lack of a better candidate is suitable for Estate Officer KCIP. He is an Engineer by education and has knowledge of estate office position but no relevant work experience. Technical Evaluation by Project Manager (KCIP) is that he can catch up quickly and get polished." • Irrelevant Degree and Experience. He is an engineer while the required degree was B.Com and 7 years of relevant experience which he didn't possess.
6	Vijay Kumar DM Accounts	<ul style="list-style-type: none"> • Date of advertisement is 03.03.2019. • An interview was held on May 18, 2019 attended by Rizwan Bhatti CEO, Saleem Ahmed CFO, Muhammad Afzal Chairman BoD. • The Committee unanimously approved the appointment of Vijay Kumar as Deputy Manager Accounts despite the fact that the said post was neither part of the advertisement, nor he had applied for it. • Further, Mr. Vijay didn't even possess the required degree of MBA Finance. He has MBA in Management and Administration. • Moreover, his experience too was short by 2 years as his service from June 2016 till date of application could not be verified as no experience certificate was available in his file pertaining to the period.
6	Asghar Mustafa HR and Admin Head	<ul style="list-style-type: none"> • Date of advertisement is 31.03.2019. An interview was held on May 18, 2019 attended by Rizwan Bhatti CEO, Saleem Ahmed CFO, Muhammad Afzal Chairman BoD. • The said Interview was for the posts of CTO, HR Head & Manager Accounts on the same day despite date of Advertisement being different in each case. • Mr. Asghar applied before the Ad was published on 31.03.2019. He seems to already know about the vacancy and applied on 27.03.2019. . • Undue favour in appointment given by interview panel. • Mr. Asghar has subsequently been involved in irregular hiring of people. • Involved in irregular disposal of assets.
7	Ms. Beenish AM Internal Audit	<ul style="list-style-type: none"> • Date of advertisement is 05.03.2017. • Irrelevant Degree and Experience. Not ACCA as required and did not have experience of working in accounting firms. She worked as lecturer and her last job was in Pakistan Stock Exchange (PSX). • She has done CIMA which is relevant for managerial accounting. ACCA are qualified internal auditors. • Worked as AM R&E and now as AM Corporate Department instead of his parent department of Internal Audit. • Overage at the time of appointment by almost a year. She joined in July 2017 when she was 36 (DOB is 17.6.1981). • Her CIMA was not complete at the time of application.

8	Wajid Shaikh AM Site BQIP	<ul style="list-style-type: none"> • Date of advertisement is 02.08.2019. Ad for the post was issued on Aug-02-2019 however in the file Ad dated 03.03.2019 is placed in which the experience criteria apparently favoured Mr. Wajid. • In his CV which was used for assessment by the Interview Panel he wrote that he worked for ECIL Consultants as Site Engineer from Jan 2009 to March 2010 however as per Experience Certificate submitted by him that period is covered by his brief stint as Trainee Engineer with Indusmen Corporation from 31st Jan 2019 to 30th June 2009. • As per original Ad, minimum 10 years of Site supervision for Industrial Infrastructure Works including 2 Years of design work was required. However, only part of his 3-year period with Indusmen (Feb 2011 to Jan 2014) is on an Industrial Project, the rest of his 7 year experience is not related to Industrial Infrastructure. • Out of 2 years design experience required, he only worked some portion of his 9 months with Techno (April 2010 to Jan 2011) as Junior Engineer on Designing. • His experience from April 2010 to Aug 2019 (Closing Date), it comes out to be 9 years and 4 months which is less than the total required of 10 years. • He only has partial 3 years of the total 10 years relevant required and only 6 months of design out of 2 required. That too is disputed and would need further proof. • He hasn't bothered to get his PEC renewed which has expired since Dec 2020. • Despite of his obvious lack of required experience and expertise, he was given 19 out of 20 marks for his work history by the Interview panel. • The remarks of the members of the interview panel were as follows: <ul style="list-style-type: none"> ○ Aftab Shaikh remarked, " Sufficient experience with consultant and contractor. Recommended for the post of AM (Project) at Site." ○ Javed Shaikh remarked, "Relevant Experience and technically sound, will be useful for project." ○ Asghar Mustafa Remarked, " Wajid has the right technical know-how and skillset for the requirements.... is currently drawing a salary of Rs. 115,000 PM and is looking for a salary of 135,000 PM." • During interview he was given following 52 marks out of 60 in the categories of Emotional Stability, Intellectual Capability and Energy Drive. These marks are totally discretionary. Also, the category of Energy and Drive, in which he is given 18 Marks, is so arbitrary and subjective.
9	Mr. Mujahid AM HR	<ul style="list-style-type: none"> • Date of advertisement is 03.03.2019. • Irrelevant Degree. Required MBA HRM, he has MBA (Commerce & Economics).
10	Mr. Awais AM Admin	<ul style="list-style-type: none"> • Date of advertisement is 03.03.2019. • Doubtful MBA (B&F) degree and experience certificates. Both maybe sent for verification. • HEC verification only on photocopies not originals. • As per declaration he was working during 2008-11 while also doing MBA from 2008-10. • Experience certificates may be verified, degree may be sent to the university for verification. • No mention of discipline on the degree.

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| | <ul style="list-style-type: none">• Secured 83 marks in the interview, totally subjective interview criteria such as energy and drive.• Joined on 1.8.2019 @ Rs. 55,000 Gross Salary. His salary w.e.f 1.1.2023 is 101,190. Salary 84% increased in three years.• No proof that he worked in KE from 2011-15.• Involved in irregular disposal of assets along with HR Head. |
|--|--|

Audit is of the view that the appointments without taking into account eligibility and non-following of due process were unjustified irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that all the recruitments were made in accordance with the rules. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.3 Karachi Tools, Dies and Moulds Centre

9.3.1 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 (PIDC).

9.3.2 Comments on Audited Accounts

9.3.2.1 The working results of company for the years ended June 30, 2022 as compared to previous years are given below:

(Rs. in million)					
	2021-22	% Inc / Dec	2020-21	% Inc / Dec	2019-20
Income	246.13	18.49	207.72	27.17	163.34
Other Income	12.16	61.07	7.55	(53.07)	16.09
Total Income	258.29	19.99	215.27	19.98	179.43
Direct Cost	(192.51)	16.81	(164.81)	24.52	(132.35)
Admin Expense	(36.08)	15.12	(31.34)	3.34	(30.33)
Total Expenses	(228.59)	16.54	(196.15)	20.58	(162.68)
Surplus/Deficit	29.70	55.36	19.12	14.21	16.74

(Source: Annual Audited Accounts)

9.3.2.2 Admin expenses increased by 15.12% to Rs 36.08 million during FY 2021-22 from Rs 31.34 million in FY 2020-21 due to increase in salaries and other expenses.

9.3.2.3 Tax refunds due from FBR increased by 14.07% to Rs. 83.145 million during FY 2021-22 from Rs.72.889 million due to non-recovery / non-adjustments from tax authorities.

9.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
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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%
2018-19				9.4.4.1	
2019-20	1	1		7.4.4.1	100%
2021-22	4		4	8.2.4.2 (remaining to be discussed in PAC)	0%
Total	17	1	4		6%

The overall compliance of PAC directives needed improvement.

9.3.4 Audit Paras

9.3.4.1 Disbursement of amount from a Lapsable Assignment Account in June – Rs 99.935 million

General Financial Rule 96 states that it is contrary to the interest of the State that money should be spent hastily or in an ill-considered manner merely because it is available or that the laps of a grant could be avoided. In the public interest, grants that cannot be profitably utilized should be surrendered. The existence of likely savings should not be seized as an opportunity for introducing fresh items expenditure which might wait till next year. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was noted that management received an amount of Rs. 100 million in December, 2021 for utilization on Establishment of High Tensile Sheet Metal Dies Manufacturing and Titanium Coating Setup at KTDMC. The project was approved by the Ministry on August 4, 2021 for completion in 24 months at cost of Rs.400 million. The amount was remitted for opening of Letter of Credit (LC) on 21-06-2022. The details of disbursement are as:

Detailed Object Code	Budget Rs.	Cheque No.	Date of Cheque	Payee's Name	Amount in Rs.
A09601 – Purchase of Plant & Machinery	95,000,000	A962602	21/06/2022	NBP LC Margin	95,000,000
A05270 – Others	5,000,000	A962603	21/06/2022	NBP LC Margin	4,935,744
TOTAL	100,000,000				99,935,744

It was observed from reconciliation statements, bank statement and cheques that total released budget was utilized / remitted on 21-06-2022.

Audit is of the view that funds were disproportionately expended in the month of June without proper planning at the end of financial year against the financial propriety.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that Sanction was issued on December 02, 2021. Finance division released FE amounting 518,200 vide letter dated March 10, 2022. Approval for Import L/Cs was received from NBP vide letter March 30, 2022. The case was approved by SBP on June 14, 2022. Accordingly, the LC was issued June 23, 2022. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.3.4.2 Non-settlement of Advance Tax - Rs.83.145 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017 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, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that amount of Rs.83.145 million as Income Tax and Sales Tax was lying refundable / receivable from the tax authorities in respect of tax years 2017 to 2021. M/s KTDMC management also engaged services of tax consultant @ 2% of the refundable amount for recovery of tax refunds from tax authorities. However, no amount has been settled till date.

Audit is of the view that non settlement of tax receivables on time depicts incompetency on part of KTDMC management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that refund of tax year 2018 amounting to Rs.7.520 million out of Rs.8.609 million and tax year 2020 amounting to Rs.8.498 million out of Rs.9.555 million received respectively. The matter was also taken before the Federal Tax

Ombudsman and FTO ordered FBR to issue the refunds. In compliance, FBR released the tax refunds in respect of tax year 2019 and 2021, amounting Rs. 986,981 and 9,357,388 respectively. The DAC directed the management to pursue the matter of refund of advance tax with tax authorities.

Audit recommends implementation of the DAC directives.

9.3.4.3 Non-deposit of funds in Gratuity Fund Account– Rs.50.787 million

According to clause 218 (2) of Companies Act, 2017, where a Provident Fund, Contributory Pension Fund, Gratuity Fund or any other contributor retirement fund has been constituted by a company for its employees or any class of its employees, all money contributed to such fund, whether by the company or by the employees or by both or received or accruing by way of interest, profit or otherwise from the date of contribution, receipt or accrual as the case may be shall either be deposited i) In a National Saving Scheme, ii) in a special account to be opened by the company for the purpose in a scheduled bank.

During the audit Karachi Tools, Dies & Moulds Centre (KTDMC), Karachi for the year 2020-21- & 2021-22, it was observed that management did not deposit the Gratuity amount of Rs.50.878 million in Gratuity Fund Account as at 30-06-2022 (based on the actuarial valuation).

Audit is of the view that non-deposit of funds in Gratuity Fund Account reflected non-compliance of Corporate Governance Rules.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that certain employees filed the Constitutional Petitions in the Honorable High Court of Sindh and claimed that they should be regularized and are deprived of retirement benefits. The estimated exposure would be Rs. 64.914 million as at June 30, 2023. However, after seeking opinion of the legal advisor, management is of the view that the said employees are not entitled for regularization and are only entitled for the benefits which have specifically been agreed upon through service agreements or appointment letter and not otherwise. Karachi. The matter is subjudice in court of law.

Audit recommends implementation of the DAC directives.

9.3.4.4 Exchange loss due to delay in Letter of Credit (LC) - Rs.16.582 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017 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, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that bids for supply, commissioning & installation of 3D Scanner Machine, CNC Machines & ZNC/CNC EDM 3 Meter were called through press advertisement dated 15-10-2021 from the national bidders. M/s Ultimate CAD Solutions Islamabad and M/s Dynamic Tooling Services Karachi were awarded

the contracts on January 18, 2022 and LCs were opened in June 2022 after lapse of five months of the award of contract which caused exchanges losses as tabulated.

Product	Offered Cost US\$	Dollar Rate in Rs. when Contract was Awarded (January 2022)	Total value in Rs. during month of January 2022	Dollar Rate in Rs. when LCs were opened (June 2022)	Total value in Rs. during month of June 2022	Exchange Loss in Rs.
	1	2	3(1*2)	4	5(1*4)	(3-5)
GoM 3D Scanner	104,400	177	18,478,800	209	21,819,600	(3,340,800)
CNC Machine (1 set)	85,720	177	15,172,440	209	17,915,480	(2,743,040)
CNC Machine (2 set)	163,280	177	28,900,560	209	34,125,520	(5,224,960)
ZNC/CNC EDM 3 Meter	164,800	177	29,169,600	209	34,443,200	(5,273,600)
Total	518,200	177	91,721,400	209	108,303,800	(16,582,400)

It was further observed that overall value of contracts awarded was US\$ 518,200, whereas LCs opened amount was US\$ 432,480. Hence, there was difference of US\$ 85,720/. It was noted that CNC Machine-1 set receiving record was not available. (Annex-63)

Audit is of the view that, due to negligence of the management the company suffered exchange losses of Rs.16.582 million on account of delayed procurements.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that the case was approved by SBP on June 14, 2022. Accordingly, the LCs was issued on June 23, 2022. Further, LC of US\$ 85,720 (CNC Machine-I set) was not opened in 2021-22 due to the funds required for LC opening exceeded the fund released for the year 2021-22. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.3.4.5 Non imposition of Late Delivery charges - Rs 6.239 million

As per contract agreement between KTDMC & Suppliers, buyer shall have the right to claim from the supplier payment of percentage equal to one tenth of one percent of the price of each item of the supplies not timely delivered for each calendar day, of delay, provided, however, that the total claim of payment shall not exceed ten (10) percent of the price of such incomplete items, or without prejudice to the provisions.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that Purchase Orders for supply/installation of machinery items were issued to following vendors as per details given below:

Name of Bidder	Item	Contract Value. Rs.	PO Date	Required to be Delivered On	Delivered On
M/s Dynamic Tooling Service	CNC Turning Centre	8,182,980	30-Apr-21	2-Aug-21	No delivery record found
	Cylindrical Grinder	3,852,810	30-Apr-21	2-Aug-21	25-Oct-21
	CNC ZNC EDM Machine	5,436,990	30-Apr-21	2-Aug-21	4-Sep-21
M/s Subhan Engineering	Shaper Machine	1,667,250	30-Apr-21	2-Jul-21	24-Sep-21
	Lathe Machine	1,521,000	30-Apr-21	2-Jul-21	5-Oct-21
M/s KTD Pvt Limited	Drill Machine Pedestal	620,100	30-Apr-21	2-Jul-21	3-Nov-21
M/S Jaffer Brothers	Granty Crane	10,794,000	03-Jun-19	31-Oct-19	22-Jan-20
M/s KTD Pvt Limited	SJ 20 CNC Turning Centre	9,435,000	10-Dec-21	28-Feb-22	25-Apr-22
M/s Ultimate CAD	GoM 3D Scanner	20,880,000	18-Jan-22	24-Apr-22	15-Oct-22
	Total	62,390,130			

However, above data revealed that machineries were not delivered within the agreed time period. Late delivery charges amounting to Rs.6.239 million was required to be imposed on the vendors but the same was not claimed / recovered.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that for CNC Turning Centre, manufacturer did not receive export approval from his Govt. And for Cylindrical Grinder, CNC ZNC EDM Machine etc, manufacturer faced difficulties in finding the material due to COVID 19 and machines were delayed. Granty Crane, due to shifting of existing CNC machines delivery period of crane was extended. SJ 20 CNC Turning Centre, due to the congestion of the sea port, the delivery of the machine was delayed. GoM 3D Scanner, the case was approved by SBP on June 14, 2022; LC was opened on June 23, 2022. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.3.4.6 Non-adjustment of advances from suppliers – Rs. 5.416 million

Section 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017, states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that the management had created a provision for the recovery of its advances as doubtful from the current revenue pertaining to various suppliers amounting to Rs.5.416 million which reflects that the amounts of doubtful advances were on a very high side. The details are as under:

Description	Amount in Rs.
Impairment loss (Training)	2,754,332.00
Impairment loss (Manufacturing)	2,661,917.00
Total Advances	5,416,249.00

Year wise break up of doubtful advances were as under:

Year	Debt Rs.	Year	Debt Rs.
2010	182,479	2016	189,364
2012	46,978	2017	353,604
2013	257,697	2018	229,267
2014	273,638	2019	623,659
2015	275,397	2020	1,200,191
		2021	1,921,775

Audit is of the view that the due to in-effective financial management, KTDMC failed to adjustment / recover the outstanding amount, which resulted in creation of doubtful debts/credit losses and directly affected cash flow and working capital requirements of the KTDMC.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that amount of Rs. 5.416 million stated does not pertain to advance from supplier rather the amount represents the Allowance for expected credit loss and does not represent actual unrecovered amount rather it is a provision for doubtful debt. The DAC directed the management to get the adjusted/recovered amount verified from Audit.

Audit recommends implementation of the DAC directives.

9.3.4.7 Irregular payment of bonus-Rs.4.145 million

According to Finance Division (Regulations Wing) office letter No.F.3(5) R.12/80(R.14). Vol.H2201-54 dated 30th November 2001, certain autonomous bodies /semi-autonomous bodies/corporations are not following the Government instructions in letter and spirit and making payment of bonus to their employees without approval of Finance Division (Regulation wing).

According to Finance Division (Regulation Wing),O.M.No.F.3(5) R.12/80(R-14) 2002-154 dated Mar 18, 2002, the Managing Director and Members of the Board of Directors of autonomous/semi-autonomous bodies/public corporations/ organizations are not entitled to receive bonuses.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that during the year 2021-22 management paid an amount of Rs.4.145 million on account of performance award to the officers (including payment of Rs. 0.333 million to the CEO) and officials without concurrence of Finance Division.

Audit is of the view that management paid bonus in violation of above rules. Thus, payment of Rs 4.145 million was irregular.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. . The management informed the DAC that the performance award was approved by the Board and KTDMC is a public sector company. The DAC directed the management for verification of profit and Cash flow position of the company from audit and clarification from the Finance Division.

Audit recommends implementation of the DAC directives.

9.3.4.8 Non-disposal of vehicles - Rs.2.859 million

Rule 5(1) of the Public Sector (Corporate Governance) Rules, 2017 states that the 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 Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that Board of Directors in its 54th meeting held on dated September 01, 2021 approved the disposal of vehicles amounting to Rs. 2.859 million. However, management failed to auction the vehicles till close of audit.

S#	Vehicle No.	Make	Purchase Date	Cost (Rs)
1	CT-9376	Suzuki Bolan	Aug-07	660,000
2	GP-5562	Suzuki Cultus	Aug-07	844,060
3	AVC-336	Suzuki Alto	2011	710,000
4	GA-1415	Suzuki Cultus	2011	645,841
Total				2,859,901

Audit is of the view that the management failed to dispose-off the vehicles in violation of BoD directives.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that the vehicles mentioned at the serial # 3 & 4, i.e., AVC-336 & GA-1415 was disposed in September 2019. However, the advertisement for disposal remaining two vehicles has been published on dated October 8, 2023. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

9.3.4.9 Non-disposal of obsolete assets - Rs. 1.768 million

Rule 5(1) of the Public Sector (Corporate Governance) Rules, 2017 states that the 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 Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that assets valuing Rs 1,768,308 were lying non-functional / obsolete since long and the same were not disposed off. The detail was as under:

S. No.	Asset Description	Cost Rs.
1	Furniture & Fixture	165,614
2	Computer Equipment	291,181
3	Electrical Equipment	667,824
4	Office Equipment	314,524
5	Plant & Machinery	329,165
	Total	1,768,308

Audit is of the view that non-disposal of these fixed assets caused a loss to the company.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that all the items have been disposed Vide Tender dt: October 2021 and Tender dt: January 2023. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.4 Pakistan Institute of Management

9.4.1 Introduction

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

9.4.2 Comments on Audited Accounts

9.4.2.1 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 2012-13 to 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2012-13 to 2022-23 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

9.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% 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	19	7	12		37%

The overall compliance of PAC directives was satisfactory.

9.4.4 Audit Paras

9.4.4.1 Loss due to discontinuation of EMBA program – Rs 84.000 million

Rule 4 (3) of the 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, 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 Pakistan Institute of Management (PIM) Karachi for the year 2021-22, it was observed that the management started Executive Master of Business Administration (EMBA) program in 1998 in affiliation with Institute of Business Administration (IBA) in May 24, 1997. This was discontinued after a period of 6 years due to cancellation of affiliation by IBA in May 20, 2004. Later on in November 26, 2009 EMBA program was affiliated with Karachi University that lasted for only two semesters and again discontinued. On February 08, 2011 Sindh Assembly granted degree awarding status to PIM. However, classes could last only for ten months and had been suspended till date. During the period 1998 to 2011, management enrolled 783 students and earned revenue of Rs.195.75 million (Rs 250,000 per students * 783 students).

Audit is of the view that had minimum of 20 students been enrolled in a year, management could have earned revenue of Rs 84.000 million (Rs 350,000 x 20 = per year 7.00 million * 12 years).

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed that matter may be taken to board for decision whether case may be pleaded to HEC considering following factors, Positive cash flow (income & exp), Diversification & Managing Human Resource. Revised reply along-with relevant documents may be sent to Ministry in the light of board decision.

Audit recommends implementation of the DAC directives.

9.4.4.2 Irregular award of consultancy work for excellence award program – Rs 28.000 million

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

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.

During audit of Pakistan Institute of Management (PIM) Karachi for the year 2021-22 it was observed that management of PIM entered into an agreement amounting to Rs.28.000 million with Syed Zillay A. Nawab Rizvi, sole proprietor of Hashtag Consulting Solutions on December ,2018 for development and management of the Pakistan Management Excellence Award Program (PMEA). The agreement was signed by Mr. Muhammad Abid Hussain Sabri, Ex- Executive Director, PIM for a period of five years and payment of Rs.23.650 million was made till October 2020.

According to agreement, all the expense shall be initially borne by the PIM and will be paid back to PIM in one year. Mr. Syed Zillay A. Nawab failed to make the project self -sustained after lapse of one year whereas PIM continued financing till October 2020 on the directions of Ex-Executive Director of PIM. More over faculty members pointed out the un-satisfactory progress of the PME A project in terms of high expenditure borne by PIM.

The record reflected that no tender was issued for the aforementioned project /work. Selection of M/s Hashtag Consulting Solutions was sole decision of Ex- Executive Director, PIM. The project was started without approval of the Competent Authority. The agreement was signed on simple paper instead of stamp paper through a color printer.

Audit is of the view that due to connivance, loose internal controls and negligence management sustained a loss of Rs 23,650,552. Furthermore, no serious efforts have been taken to recover the amount from the person involved till date which resulted in huge loss to the public exchequer.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management admitted that no tender was issued for this project and Hashtag Consulting Solution was selected without fair competition. Further explained that BoG was not properly brief about the PMEA. DAC directed the management to conduct a fact-finding inquiry at Ministry level to identify the reasons for arranging the excellence award program and release of gratuity to Ex- director of PIM. Board minutes may be examined to identify the role of present ED regarding explanation of the case.

Audit recommends implementation of the DAC directives.

9.4.4.3 Loss of revenue due to non-conducting of Advance Management Program – Rs 27.00 million

Rule 4 (3) of the 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, 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 Pakistan Institute of Management (PIM) Karachi, for the year 2021-2022, it was observed that the Institute offered Advance Management Program (AMP) for senior executives to increase their knowledge and improve analytical ability since 1962. The course was designed with the help of the Harvard Business School. PIM had trained over 1000 key Pakistani executives under this program since its inception. However, program remained discontinued from time to time. As it started in August, 1995 and remained continued till September, 1998. And after gap of twelve (12) years, through the AMP course in October, 2010, 26 participants were trained. Despite Board of Governors (BOG) directives in 39th meeting held on March 28, 2011, the AMP was conducted after a delay of five years in August, 2016. The program has not been conducted since last five years.

Audit is of the view that had minimum of 15 students been enrolled in a year, management could have earned revenue of Rs 27.00 million during last the five years from 2018 to 2022 (Rs 360,000 per participants * 15 participants = 5,400,000 per year * 05 years = Rs. 27,000,000).

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to place the matter in next BoG

meeting and submit the revised reply to audit and MoIP in the light of Board decision regarding steps taken by the management to revamp the program.

Audit recommends implementation of the DAC directives.

9.4.4.4 Loss of revenue due to non-achievement of target of public training programs - Rs. 25.920 million

Rule 38(1) General Finance Rules states that it is the primarily responsibility of the department authorities to see all revenues or other debts due to Government which have to be brought to account are correctly and promptly assessed, realized credited to public account.

During the audit on the accounts of Pakistan Institute of Management (PIM) Karachi for the financial year 2021-22, it had been observed that during the year 2021-22 that the management conducted 297 public training/ courses out of 405 courses scheduled and remaining 108 courses were cancelled due to unknown reasons. Management also targeted to retain the 4,863 trainees but only 3,777 trainees got trained in the scheduled courses. Detail is as under:

Period	Training			Trainees		
	Trainings Targeted	Trainings Actual	Target Achieved	Trainees Targeted	Trainees Actual	Target Achieved
From Jul To Dec-21	226	163	72%	2,712	2,125	78%
From Jan To Jun-22	179	134	75 %	2,148	1,652	77%
Total	405	297	73%	4,860	3,777	77%

Audit observed that management achieved only 73% of the schedule targeted courses as well as they got the trainees only 77% against the expected target trainees. Due to dismissal performance to conduct the public courses and participation in such courses was lower side i.e. 77% against the target. it has been further observed that courses wise training cost record has not been maintained by the concerned management. Thus, the feasibility and the breakeven analysis of training courses could not be determined which is negligence on the part of management.

Audit is of the view that had minimum of 12 students for 108 courses been enrolled in a year, management could have earned revenue of Rs.25.920 million (108 * 12 participants =1,296 participants * Rs 20,000 = Rs.25,920,000)

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to take corrective measures for achievement of targets.

Audit recommends implementation of the DAC directives.

9.4.4.5 Un-justified payment on account of house hiring-Rs.13.571 million

According to Federal Government Policy, vide OM No. F-2(3) 2003-policy dated July 31, 2004, Ministry of Housing & Works, Govt of Pakistan have issued a comprehensive policy along with scale wise rental ceiling of Government employees at the six specified stations subject to submission of necessary documents.

1. Willingness of the owner.
2. Copy of N.I.C. of the owner.
3. Copy of the drawing of the building.
4. Copy of the registration/allotment order.
5. An affidavit from the owner that his house has not been hired by any other person nor will be hired till such time it remains with the employee
6. Inventory list
7. Sub lease documents
8. Physical Inspection
9. Scrutiny of the case
10. Lease Agreement

During audit of Pakistan Institute of Management (PIM) Karachi for the year 2021-22, it was observed that management paid an amount of Rs.13.571 million on account of house hiring to their officers without submission of above documents, required for private or self-house hiring.

Audit is of the view that undue financial favor was extended by paying the house rent/ hiring to their officers amounting to Rs.13.571 million without following the prescribed rules & regulations.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management informed in DAC meeting that procedural lapses were highlighted by the Audit had been fulfilled. DAC directed that record may be provided to audit for verification in the light of contents of reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.4.4.6 Non-recovery from various sundry debtors - Rs.13.300 million

According to Para-26 of the GFR, subject to any special arrangement that may be authorized by competent authority with respect to any particular clause of receipt, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and dully credited in the accounts.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2021-22, it observed that an amount of Rs.13.300 million under the head of sundry debtors was recoverable against the various debtors at 30th, June 2022. Some instances are as under.

S.#	Name of Party	Outstanding Amount (Rs)
01	Asian Continental (Pvt) Limited	27,000
02	Asia Poultry Feeds (Pvt) Limited	54,000

03	Al-Khidmat Welfare Society	81,000
04	Artistic Milliners (Pvt) Limited	682,400
05	Adamjee Dua Built (Pvt) Limited	21,000
06	Enar Petroleum Refining Facility	108,000
07	Fauji Fertilizer Company Ltd	179,200
08	Hi- tech Lubricants Limited	351,000
09	International Steels Limited	438,000
10	Institute of Chartered Accountants	216,982

Non recovery reflected negligence of the management and poor revenue management.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. PIM management informed that all outstanding payments have been fully recovered. DAC directed the management that complete relevant record (in all respect) may be provided to Audit for verification in the light of contents of reply provided in the DAC working papers

Audit recommends implementation of the DAC directives.

9.4.4.7 Appointment without advertisement on un-approved post - Rs.11.046 million

Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees / Board.

According PIM's service rules para # 06 regarding appointment/ promotion (a) All initial appointments and promotions against sanctioned posts shall be made in consultation with Selection Committee constituted by the competent authority for the purpose in relation to each post or grade as the case may be.

During audit of Pakistan Institute of Management (PIM) Karachi for the year 2021-22, it was observed that management appointed Mr. Muhammad Ovais, as Head of Special Projects on contract basis for a period of one year, on March 09, 2017 without advertisement with monthly salary of Rs 120,000 per month on un-approved post. Detail of Salary paid to employee is as under:

S.No	Period	Per Month Salary	Total Months	Annually inc 10% (Approx)	Total Paid (Rs)
01	Mar,17 To Dec,17	120,000	10	-	1,200,000
02	Jan ,18 To Dec,18	120,000	12	134,400	1,612,800
03	Jan ,19 To Dec, 19	134,400	12	147,840	1,774,080
04	Jan ,20 To Dec, 20	147,840	12	162,624	1,951,488
05	Jan ,21 To Dec,21	162624	12	178,886	2,146,636
06	Jan ,22 To Dec,22	178,886	12	196,774	2,361,295
Total					11,046,299

It is worth mention here that there was no post of Head of Special Projects in PIM. As he was appointed on contract for a period one year. All the appointment rules and policies were neglected. The post of Head of Special Projects was not advertised. Besides, merit and qualification of the employee for the service grade was not competitive based as other candidates were not invited to show interest. This irregular appointment caused the loss of Rs. 11.046 million to the institute.

Audit is of the view that undue favour was extended to the employees at Corporation cost, which indicates weak internal controls in the institution.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management explained that previous management of PIM missed legitimate procedure of advertising the post that time. DAC directed the management to conduct a fact-finding inquiry at Ministry level regarding illegal appointment. Reference to be made to Law Division to take Input of Law Division through concerned Ministry on Continuation of service on un-approved post.

Audit recommends implementation of the DAC directives.

9.4.4.8 Hiring of services without competition -Rs 5.615 million

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

During audit of Pakistan Institute of Management (PIM) Karachi for the year 2021-22, it was observed that management hired the services of M/s Bahria Travels Agency without entering in competition and paid an amount of Rs 5.615 million to the agency.

Audit is of the view that hiring of travelling services without tender stands irregular and unjustified. Hence, payment of Rs.5.615 million was also held irregular.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management explained that the selection procedure was conducted in a fully transparent manner, and there was no violation made during the selection of M/s Bahria Travels. DAC directed the management to provide the relevant record for verification in the light of Audit objection and contents of reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.4.4.9 Payment on account of travelling allowance without requisite documents - Rs.5.609 million

According to Rule 10 of GFR, every officer authorized to incur expenditure from the public fund should observe high standards of financial propriety which include, the expenditure should not be prima facie more than the occasion demands and no authority should pass any orders which will be directly or indirectly to his own benefits.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2021-22, it was observed that the management incurred an expenditure of Rs 5,609,372 on account of official travelling of its officers' tours in contravention of rules and regulations. The following discrepancies were observed in sanction of amounts on account of tour programs:

- i. Travelling & Daily allowance bill were not prepared for TA/DA claim.
- ii. Purpose of visit was not shown to justify the tour program.
- iii. Approved tour program was not issued by the competent authority.
- iv. Certificate of their attendance in meeting/court were not available.
- v. Counterfoil of the boarding card was not found in the record.
- vi. No any authentic schedule of meetings was issued by competent authority.
- vii. There was no any proper office order for nomination of officer/official issued by the competent authority.

Audit is of the view that the payment of T.A/D.A without supporting documents was irregular.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management explained that schedule for courses was planned and announced around six months in advance. Each faculty member was nominated for each course and

everything was carrying out as per plan. DAC directed the management to provide the relevant record for verification in the light of contents of Audit objection and reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.4.4.10 Irregular / unjustified expenditure by imprest money – Rs.4.085 million

According to para 8 (viii) of Pakistan Institute of Management (PIM) Rules of business, the Director may authorize an officer of the institution to maintain a permanent advance of not more than Rs 2,000.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2021-22, it was observed that contrary to above, the management incurred expenditure of Rs 4,085,110 on account of petty expenditure fixing and allowing advance payment of Rs 100,000 to Rs 150,000 as imprest money to Admin section.

Audit is of the view that utilization of fund beyond the prescribed limit was held irregular and unjustified.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management informed the DAC that imprest accounts are used only for small transactions, such as re-imbursement of food items and lunch purchased for trainees and other incidental expenses. DAC directed the management that to get approval of the competent authority for increase in imprest amount with concurrence of Finance Division and further directed that purchasing may be made in future by following the prescribed rules.

Audit recommends implementation of the DAC directives.

9.4.4.11 Non-adjustment of advances against expenses - Rs.2.854 million

According to Para 26 of the GFR, subject to any special arrangement that may be authorized by competent authority with respect to any particular clause of receipt, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and dully credited in the accounts

During audit of Pakistan Institute of Management (PIM), Karachi for the financial year 2021-22, it was observed that an advance of Rs 2,854,824 was outstanding against the persons / parties for the various purposes as on June 30,2022. Some instances are as under:

S#	Description	(Amount in Rs)
01	Nazir Hussain Shah	101,490
02	Branch office Lahore	849,132
03	Kaleem u din	59,100
03	Hammad Rashid	69,000
04	N&S Enterprises	143,749

Audit was of view that non-adjustment in time reflected weak resource management.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC management informed that entire amount had been adjusted. DAC directed that relevant record may be provided to Audit for verification in the light of contents of reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.4.4.12 Un-justified expense of POL, repair and maintenance on vehicles – Rs 2.674 million

According to Rule-15(i) and (ii) of Staff Car Rules, 1980 updated up to 2008 required that movement register and vehicle log book shall be maintained for each staff car Govt. vehicle in charge.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2021-22, it was observed that the management had ten (10) vehicles and incurred expenditure of Rs 2.061 million on POL and Rs 0.613 million on repair & maintenance of vehicles (Total = Rs. 2.674 million). Log books of the said vehicles were called for vide requisition # 07 dated February 1st, 2023 but the same were not provided to audit because these were not maintained.

Audit is of the view that in absence / non maintenance of movement register and vehicle log book, the misused/unauthorized journeys and POL misappropriation could not be avoided therefore entire expenditure on transportation stands irregular / unauthorized.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management informed the DAC that log books and movement registers of all vehicles are properly maintained. DAC directed the management that record may be furnished to Audit for verification in the light of contents of reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.5 Pakistan Steel Mills Corporation (Pvt.) Limited

9.5.1 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.

9.5.2 Comments on Audited Accounts

9.5.2.1 The working results of the Company for the year 2021-22 as compared with those of the previous years are given below:

	2021-22	%Inc / Dec	2020-21 Revised	%Inc / Dec	2019-20
Sales-Net	3,998.92	150.64	1,595.50	191.98	546.44
Cost of Sales	(10,056.61)	13.13	(8,889.42)	40.01	(6,349.15)
Gross Profit/(Loss)	(6,057.69)	(16.95)	(7,293.91)	(25.70)	(5,802.71)
Distribution costs	(45.69)	(40.98)	(77.41)	(41.49)	(132.31)
Administration expenses	(4,156.47)	31.26	(3,166.50)	8.50	(2,918.47)
Other Operating Expenses	(1,475.30)	288.23	(380.01)	(21.24)	(482.47)
Finance Cost	(14,680.77)	11.80	(13,130.88)	6.85	(12,288.96)
Total expenses	(20,358.23)	21.50	(16,754.82)	5.89	(15,822.21)
Other Income	31,491.32	468.89	5,535.61	251.65	1,659.44
Profit (loss) before Tax	5,083.71	127.46	(18,515.13)	(7.25)	(19,962.52)
Taxation	2,065.08	985.74	(233.15)	(57.03)	(542.55)
Net Profit/ (Loss) after Tax	7,148.73	138.13	(18,748.28)	(8.57)	(20,505.07)
Accumulated losses	(206,068.35)	(5.67)	(218,455.51)	6.55	(203,239.15)

(Source: Annual Audited Accounts)

Administration expenses increased from Rs 3,166.51 million in the year 2020-21 to Rs 4,156.47 million in the year 2021-22, registering an increase of 31.26%. The increase in administration expense is resulted due to rise in utility charges along with salaries, wages, benefits and staff welfare.

9.5.2.2 Finance cost showed an increase to Rs 14,680.770 million in the year 2021-22 as compared to Rs 13,130.880 million in the year 2020-21 registering an increase of 11.80%. This increase is due to having substantial charges of mark up on short term and long term financing.

9.5.2.3 Current ratio deteriorated from 0.08:1 in the year 2020-21 to 0.07:1 in the year 2021-22. The decline in current ratio reflects weak liquidity condition mainly caused by relatively higher increase in current liability.

9.5.2.4 Quick ratio was 0.039 which reflected weak liquidity position, contributed by relatively higher increase in current liability.

9.5.2.5 Chartered Accountant has given qualified opinion on the following basis:

- **Stock in trade and Stores, spares and loose tools**

Stores include amount of Rs.170.266 million in respect of stores in transit since last many years. The management has explained us that since the said spares are not be approved by the quality control, therefore, the said spares nature not yet been transferred to the stores. Also, we have not observed physical count of such stores.

- **Revision of Income Tax return**

The Corporation has filed its income tax return on provisional basis for the tax years 2016 to 2022 as the financial statements were not finalized and audited till the due date for the submission of tax returns. Since the audited financial statements are available now, the management should revise income tax returns on the basis of audited financial statements.

- **Contingencies**

The Corporation is involved in various litigations which involves significant claims if materialized. In the absence of confirmation from legal advisors and their opinion on the outcome of the cases, we are unable to satisfy whether provision is required to be provided against these litigations.

9.5.3 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,	31%

				2.7, 2.8, 2.9, 2.10, 2.11, 2.13, 2.15, 3.1	
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	117.8, 118, 122, 124	86%
2008-09	16	13	3	107,108,110	81%
2009-10	19	12	7	98.1, 99, 100, 104, 105, 109, 110	63%
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 (PAC referred for DAC level)	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%
2019-20	3	-	3	7.9.4.1, 7.9.4.2, 7.9.4.3	0%
2021-22	15		15	8.7.4.6, 8.7.4.7, 8.7.4.9, 8.7.4.5, 8.7.4.10, 8.7.4.11	
Total	281	167	114		59%

The overall compliance of PAC directives needs improvement.

9.5.4 Audit Paras

9.5.4.1 Non-payment of outstanding liabilities – Rs 337,340.581 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that an amount of Rs 337,340.581 million was payable to various parties as on 30.06.2023 as detailed below:

	30.06.2023		(Rs. in million)
NBP LOANS			
Principal Amount	36,846,309		
Accrued Interest	56,814,114	93,660,423	93,660.423
SUBORDINATE LOANS		3,767,070	3,767.070
GOP LOANS		144,567,748	144,567.748
PAYABLE TO EMPLOYEES			
Gratuity	2,212,681		
Leave Encashment	661,397		
Provident Fund	9,266,091	12,140,169	12,140.169
DEFERRED TAX LIABILITY	37,625,708	37,625,708	
ACCRUED EXPENSES			
Natural Gas Bills	22,732,961		
Water Charges	2,438,100		
Payable to K-Electric	419,741		
Medical Expenses	312,671		
Salaries & Arrears	3,147,747		
Others	2,989,943	32,041,163	32,041.163
CREDITORS			
Import Creditors	4,602,302		
Local Creditors	98,156	4,700,458	4,700.458
Deposits and advances			

	Deposits	1,114,593		
	Advances	5,823,463	6,938,056	6,938,056
	OTHER LIABILITIES		1,899,786	1,899,786
	TOTAL		337,340,581	337,340,581

Audit is of the view that the management failed to pay liabilities on due dates which reflected negligence and poor financial management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to dispose of the liabilities in due course. Further, directed to provide the revised reply to audit.

Audit recommends implementation of the DAC directives.

9.5.4.2 Non-payment of late payment surcharge – Rs 89,902.853 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mill (PSM) for the year 2022-23, it was observed that the management was unable to pay late payment surcharge amounting to Rs 89,902.853 million as detailed below:

(Amount in Rs)			
Sui Southern Gas Company Ltd			
S#	Actual Billing	Late payment surcharge (LPS)	Bill amount for the month June, 2023
1	91,313,890	48,624,327,890	48,715,641,780
2	44,300	40,689,573,020	40,689,617,320
Karachi Water & Sewerage Board			
3	-	497,594,811	497,594,811
Total			89,902,853,911

Audit is of the view that the management failed to make timely payment of late payment surcharges which reflects negligence and poor financial payment.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023.

- a) The management informed that the matter was decided as per Hadeed Welfare Trust deed. The De-Registration process has also been taken up with the Registrar of Trust, which is still pending. Audit contended that merger was irregular without due process of law i.e. de-registration. The DAC directed the management to inquire into matter and provide final audited accounts, registration of trust and the revised reply.
- b) DAC directed the management to make efforts to resolve the matter with KW&SB.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 9.4.4.8 having financial impact of Rs.408.713 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 486 & 487)

9.5.4.3 Non-recovery / adjustment of sales tax – Rs 3,377.660 million

Section 4(3) of Corporate Governance, 2013 Rules 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, in accordance with the Ordinance.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that an amount of Rs 3,377.660 million on account of Income Tax & Sales Tax Refund was not recovered / adjusted from the tax authorities for the year 2021-22.

Audit is of the view that non-recovery / adjustment of Income Tax & Sales Tax refund was poor financial management and slackness on the part of management which needed justification.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that it will be adjusted from time to time. At that time, an amount of Rs. 541.258 million has been adjusted. The DAC directed the management to expedite recovery / adjust and verify record to audit.

Audit recommends implementation of the DAC directives.

9.5.4.4 Non-recovery of outstanding dues of land – Rs 2,828.024 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that an agreement was signed between PSM and M/s. National Transmission & Dispatch Company (NTDC) for allocation of 75.5 acres of land to erect 500 KV D/C Transmission line to connect Lucky Power Plant with National Grid. M/s. NTDC was required to pay lease money, annual ground rent and Annual Right of Way Charges which was not paid as detailed below:

Description	Outstanding Amount (Rs)
Right of Way Occupancy Charges	763,960,306
Annual Right of Way Charges for the year 2021	15,279,206
Annual Right of Way Charges for the year 2022	16,807,127
Annual Right of Way Charges for the year 2023	18,487,840
Lease Money	1,980,824,000
Ground Rent for five years	32,665,718
TOTAL	2,828,024,197

Audit is of the view that M/s NTDC is operating its commercial business on the land of PSM but failed to pay legitimate dues since long which was against the agreement.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed that recovery of outstanding dues from M/s NTDC was being pursued. Hopefully, the dues will be recovered soon and agreement approved by BoD. The DAC directed the management that the efforts should be made for recovery of amount, lease agreement and inquiry report share with audit.

Audit recommends implementation of the DAC directives.

**9.5.4.5 Misstatement and material inaccuracy in financial statements –
Rs 1,513.817 million**

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the Financial Statements of PSM for the year 2020 & 2021 were restated in the year June 30, 2022 due to misrepresentation which increased loss after taxation of Rs 1,513.817 million to the organization as pointed out the Chartered Accountants. The Corporation had wrongly classified:

- i. The investment property of Rs. 6,000 million.
- ii. Wrongly charged payment to creditor as exchange gain in other income of Rs.299 million and recorded an expense of Rs.107 million against the gas expense rather than adjusting with the liability.
- iii. The management revised electricity rates and hence restated the previous year balance of electricity expense amounting to Rs.1.3 billion.

Details of over-stated figures are as under:

S#	Description	As per audited financial statements	Effect of prior period	Restated amounts
		-----Rupees in 000-----		
01.	Effects of prior period error on financial statements for the year ended June 30, 2020			
	Property, plant and equipment	361,360,604	(6,000,000)	355,360,604
	Investment Property	35,453,275	6,000,000	41,453,275
	Revaluation Surplus	354,080,038	(6,000,000)	348,080,038
	Accumulated losses	(209,239,156)	6,000,000	(203,239,156)
02.	Effects of prior period on financial statement for the year ended June 30, 2021			
a.	Restatement in Balance Sheet of 2021			
	Interest / mark-up accrued on			
	Trade Creditor	(4,834,511)	(299,752)	(5,134,263)
	Gas Payable	(22,508,172)	107,720	(22,400,452)
	Payable to K-electric	(519,654)	(1,321,785)	(1,841,439)
	Accumulated losses	(222,941,696)	(1,513,817)	(224,455,513)

b.	Restatement in Profit and Loss			
	Other Income	5,835,365	(299,752)	5,535,613
	Cost of Sales	(7,918,174)	(971,252)	(8,889,426)
	Administrative expenses	(2,923,694)	(242,813)	(3,166,507)
	Loss after taxation	(17,234,465)	(1,513,817)	(18,748,282)

Audit is of the view that the management & External Auditor failed to perform their fiduciary duties which resulted in overstatement of profits during previous years with wrong conclusions for the stakeholders and subsequent losses to the organization.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that restatement/correction of prior year's error was provision in IAS-8

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

The DAC directed the management to inquire in the matters, provide revised reply and detail of variation of different heads to audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.6 Blockage of funds due to non-utilization of Government Grant – Rs 1,416.572 million

Rule 4(3) of the 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, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the government started the retrenchment scheme for the PSM employees during the year 2020. In order to retrench all employees of PSM an amount of Rs 18,743.113 million was released as full and final payment. However, it was noticed that an amount of Rs 1,416.572 million was neither utilized nor surrendered by the management. The detail was as under:

(Rs. in million)			
Bank Name	Branch	Account No.	Closing balance of NBP
NBP	Pakistan Steel Mills	3101516733	1,416.572

	Bin Qasim Branch, Karachi		
Total			1,416.572

Audit is of the view that non utilization / non-surrendering of huge of Rs 1,416.572 million was gross lapse on the part of management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that some employees have approached the labour court against the scheme. After the decision of court, the retrenched fund will be utilized. Audit contended that funds placement was irregular and should be surrendered and take the matter with ministry. The DAC directed to pursue the case vigorously.

Audit recommends implementation of the DAC directives.

9.5.4.7 Non-recovery of various dues – Rs 1,161.628 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management failed to recover / adjust an outstanding amount of Rs 1,161.628 million as detailed below(Annex-64).

(Rs. in million)					
S. #	Description	Amount	S. #	Description	Amount
1.	Water	285.504	5.	Commercial rent of units	29.587
2.	Insurance claims	8.200	6.	NIP	478.05
3.	Tenants	18.825	7.	Debtors	120.963
4.	K-Electric	5.873	8.	K-Electric	214.626
		Total	1,161.628		

Audit is of the view that non-recovery / adjustment of amount under various categories indicated slackness and weak recovery mechanism.

- a) The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed that the management to recover the outstanding amount and provide the relevant documents to audit for verification. Further, directed the management to install individual meters rather than bulk purchase on fact track basis and to provide revised reply and action of loss should be intimated.
- b) The DAC directed the management to provide the relevant record of recovery to audit for verification.
- c) The management informed that an amount of Rs.2.283 million has been recovered till 30-09-23 on account of fee & funds of students. Educational institutions are strictly advised to recover the outstanding dues as per SOP. The DAC directed that in future make recovery from monthly salaries of employees on account of fees and provide relevant record of recovery to audit for verification.
- d) The management informed that an amount of Rs.5.873 million has been recovered from M/s K-Electric. The DAC directed to to verify the recovered amount.
- e) The subject amount is not correct Rs. 29.587 million. The correct figure is Rs. 94.173 million. The DAC directed the management to provide the relevant documents for recovery of Rs.17.705 million to audit for verification and recover the remaining amount.
- f) The management informed that the entire amount has been recovered. The DAC directed the management to provide the relevant documents to audit for verification.
- g) The management informed that the case is subjudice about M/s. Slag Industries Limited, M/s Transmobile Limited and M/s Axle Products Limited. The DAC directed the management to provide relevant documents to audit on the recovery, and make efforts for recovery of remaining advances and pursue court cases.
- h) The management informed that an amount of Rs.20.652 million has been recovered. The DAC directed the management to provide the relevant documents to audit for verification and recover the remaining amount accordingly.

Audit recommends implementation of the DAC directives.

(DP No. 466, 461, 479, 459, 469, 470, 471 & 483)

9.5.4.8 Un-authorized use of jetty without agreement and non-recovery of dues – Rs 1,141.000 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills for the year 2022-23, it was observed that PSM's Jetty was being used unauthorisedly by Port Qasim Authority (PQA) from June 01, 2016 to September 20, 2023. The PQA was liable to pay Rs 1,141.000 million on account of differential amount / Cost of Infrastructure / Annual Ground Rent of 158.37 Acres Land. The breakup is as under: -

S #	Description	Amount in Rs.
1.	Difference of Amount	894,660,550
2.	Cost of Infrastructure	151,247,000
3.	Annual Ground Rent since allocation	95,583,628
Total		1,141,491,178

Audit is of the view that use of Jetty without any agreement and non-recovery of dues shows weak internal controls and weak financial management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to recover / adjust the amount from PQA.

Audit recommends implementation of the DAC directives.

9.5.4.9 Loss due to non-transferring of electric meters - Rs 1,006.347 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management did not transfer the electricity connection from industrial & commercial category to residential purpose despite the entity being non-operational since 2015 till date. The management had been paying commercial & industrial rate to KE for electricity and charging domestic rates from tenants / employees which resulted in loss of Rs 1,006.347 million from July, 2022 to June, 2023 as detailed below:

S#	Months	Total Units	Commercial & Industrial Rate	Domestic Rate	Difference	Amount (Rs)
1.	July, 2022	4,336,000	46.09167	20.50	25.59167	110,965,481
2.	August, 2022	4,525,000	55.12556	20.50	34.62556	156,680,659
3.	September, 2022	4,581,000	50.70353	20.50	30.20353	138,362,371
4.	October, 2022	4,178,000	39.83608	20.50	19.33608	80,786,142
5.	November, 2022	3,304,000	35.7218	20.50	15.2218	50,292,827
6.	December, 2022	2,937,000	32.5137	20.50	12.0137	35,284,236
7.	January, 2023	2,799,000	32.89258	20.50	12.39258	34,686,831
8.	February, 2023	2,697,000	33.34911	20.50	12.84911	34,654,050
9.	March, 2023	3,336,000	44.16352	20.50	23.66352	78,941,503
10.	April, 2023	3,685,000	41.59339	20.50	21.09339	77,729,142
11.	May, 2023	5,035,000	41.46349	20.50	20.96349	105,551,172
12.	June, 2023	5,019,000	40.90512	20.50	20.40512	102,413,297
Total		46,432,000				1,006,347,713

Audit is of the view that the management failed to arrange separate meters for residential category which resulted in payment of extra amount of Rs 1,006.347 million which reflects negligence and slackness.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the matter will be submitted before the BoD in the next meeting. The DAC directed the management to install individual meters rather than bulk purchase on fact track basis and to provide revised reply and action of loss should be intimated.

Audit recommends implementation of the DAC directives.

9.5.4.10 Exchange loss due to delay in settlement of dues - Rs.973.114 million

Rule 4 (3) 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, 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 Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management did not pay the import liabilities to various parties for the last 08 to 13 years in time. The conversion rate was substantially increased with the passage of time. The management has booked an exchange loss of Rs.973.114 million due to increase in conversion rate in the financial statements.

Audit is of the view that the management delayed the payment of outstanding dues resulting in exchange loss Rs.973.114 million which reflected negligence and poor financial management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. PSM Management made hard efforts for discharging its obligation during the last three years and paid its liability amounting to Rs 8,282 million. The DAC directed the management to show the trail and verify the contents that on what accounts liability occurred.

Audit recommends implementation of the DAC directives.

9.5.4.11 Non-production of record regarding auction of scrap material – Rs.802.160 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management auctioned various scrap material valuing Rs. Rs.802.160 million. However, Contract / tender file regarding scrap material dated 22-08-2023 and were not provided to Audit. Detail of items is as under:

-

S#	Contractors	Product Name	Amount (Rs)
1.	A.R. Minerals Processing Industry	SMLR / mixed waste material	38,500,000
2.	-	Used and discarded material	149,065,350
3.	-	Corroded Cobbled Plates	115,095,280
4.	Usman Trading	Converter slag with some metal	23,500,000
5.	Horizon Steel	Converter slag with some metal	401,000,000
6.	Faraz Enterprises	Converter slag with some metal	75,000,000
Total			802,160,630

Audit is of the view that the management failed to provide relevant record of scrap sales valuing Rs.802.160 million due to which Audit was unable to ascertain transparency in the relevant transactions.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the relevant records was the custody of FIA. DAC directed to share the record with Audit.

Audit recommends implementation of the DAC directives.

9.5.4.12 Failure to protect the land - Rs.750.000 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that 176 plots of Gulshan-e-Hadeed Colony, Karachi was encroached valuing Rs.750.000 million as detailed below:

S#	Category	No. of Plots	Sq. ft	No. of Plots x Area x Rate	Amount (Rs)
1	C Type	111	500	111x 500 x 10,000	555,000,000
2	B Type	65	300	65 x 300 x 10,000	195,000,000
Total		176			750,000,000

Audit is of the view that management failed to safeguard the land which reflects negligence and weak monitoring mechanism.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the matter is subjudice. The DAC directed the management to provide the court case documents and pursue the case vigorously.

Audit recommends implementation of the DAC directives.

9.5.4.13 Non-reconciliation of financial statements - Rs.403.023 million

Rule 4(3) of the 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, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that, entries pertaining to loan and advances and trade and other payables in the financial statements for the year 2021-22 showed huge variations amounting to Rs.403.023 million which was highlighted by the External Auditors in its Letter to Management as a Qualified opinion. The detail is as under:

(Amount in Rs.)					
S#	Head Of account	Note	Amount in Financial Statements	Amounts in General Ledger	Difference
1	Loan and advances	12	206,798	325,913	119,115
2	Trade and other payable	23	3,320,000	114,457,000	111,137,000
3	Trade and other payable	23	4,388,626,000	4,096,859,000	291,767,000
	Total		4,392,152,798	4,211,641,913	403,023,115

Audit is of the view that the huge variation of Rs.403.023 million in the financial statements created doubts about the financial affairs of PSM which needed to be justified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management observed that there was no such variation between Financial Statement and ledger of the year 2021-22. The DAC directed the management to provide the reconciliation statement and annual accounts to audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.14 Encroachment of PSM land - Rs.351.000 million

Rule 4(3) of the 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, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the 11.70 acres of PSM land was encroached during the year under review valuing at Rs.351.000 million. This was in addition to already encroached upon 295 acres of PSM land. The detail was as under:

Rs.in million				
S#	Description / Name	Area (Acres)	Land Per Acre	Total Rs.
1	Mian Khan Jokhio Goth	02.00	30.000	351.000
2	Photo Goth	01.07		
3	In between Usman Farm & Sui Gas Line Deh Kotirero	03.70		
4	Near Sui Gas Line DehSanhero	04.93		
	Total	11.70		351.000

Audit is of the view that the management failed to safeguard the precious land from encroachment in presence of large number of security guards.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management apprised that letters were sent to Deputy Commissioner for removal of encroachment. DAC directed the management that the efforts should be taken for removal of encroachment. DAC expressed displeasure and directed the management to protect assets of PSM and halt any further encroachment on the land and take efforts for vacation of land.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 9.4.4.1 having financial impact of Rs 5,393.600 million. Recurrence of same irregularity is a matter of serious concern.

9.5.4.15 Non-recovery of Right of Way charges from KE - Rs.225.990 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management received an amount of Rs.177.755 million from K-Electric on account of Right of Way (RoW) from May 01, 1992 to December 31, 2022 of its High-Tension Electric Towers passing through PSM Main Plant land covering an area of approximately 320.63 acres. However, the management failed to recover claim of markup on delayed collections (Right of Way charges) amounting to Rs.225.990 million despite a lapse of considerable time.

Audit is of the view that non-recovery of claim of markup reflected poor financial management and weak recovery mechanism.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that an amount of Rs. 225.990 million would be adjusted from K-Electric within 03 to 04 months. The DAC directed the management expedite to recovery and provide relevant record after recovery to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.16 Non-vacation of land by K-Electric - Rs.219.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

As per meeting between CEO M/s K-Electric and PSM held on 04-02-2022, it was agreed that land measuring around 7.298 acres (approximately) against which consideration was not paid by KE will be released back to PSM by KE and rest of the land which is in the possession of KE and is paid for, its lease will be executed in favour of KE without any delay of PSM.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that a piece of PSM disputed land of 23.81 acres was held by K-Electric since 1982 at Gulshan-e-Hadeed, Karachi. It was decided in the meeting held on 04-02-2022 that 7.298 acres of land would be vacated by K-Electric, valuing at Rs.219.000 million (Rs.30 million per acre). However, despite a lapse of considerable time, land was not vacated by K-Electric.

Audit is of the view that not taking the possession of precious land from K-Electric was against the agreement.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the land was taken back from K Electric. The DAC directed the management to provide relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.17 Non execution of lease agreement & non-recovery of dues from Country Club – Rs 165.882 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed from that M/s Arabian Sea Country Club is operating its business on the land of PSM and availing multiple support services, but the management remained unable to recover its dues of Rs. 165.882 million as detailed below:

Description	Outstanding amount (Rs)
-------------	-------------------------

Land Rent	74,066,091
Electricity	61,452,000
Waste Water Bill	16,367,646
Right of Way charges	07,043,911
Drinking Water Bill	06,952,988
Total	165,882,636

It was also observed that first half of lease Rent period (i.e 20 years) was already expired on 31-07-2022 where revised term for the second term of 20 years could not be finalized.

Audit is of the view that the Country Club is operating its commercial business on the Land of PSM but failing in paying legitimate dues is a serious legal and financial concern. It is pertinent to mention here that no valid rental agreement is provided on the part of management which could ascertain fair rental arrangement on commercial terms and conditions

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management that the efforts should be made to recover the outstanding amount and share lease agreement with audit.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit report(s) for Audit Year(s) 2021-22 vide para(s) number 8.7.4.6 having financial impact of Rs.125.332 million. Recurrence of same irregularity is a matter of serious concern.

9.5.4.18 Irregular merger of loss-making entity - Rs.160.101 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management dissolved and merged the Hadeed Welfare Trust (HWT) into PSM without any feasibility study. The production activities of PSM were halted since June, 2015 and had accumulated losses of Rs 206,068.347 million as on 30th June, 2022. The said merger was overburdened on the public exchequer by the way of transferring the services of 343 Nos. employees of Hadeed Welfare Trust on the payroll of PSM. Furthermore, the deficit of Hadeed Welfare Trust (HWT) was Rs.160.101 million.

Audit is of the view that merger of loss making entity was not a prudent decision on the part of management which further overburdened / increased the losses of PSM.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the matter was decided as per Hadeed Welfare Trust deed. The De-Registration process has also been taken up with the Registrar of Trust, which is still pending. Audit contended that merger was irregular without due process of law i.e. de-

registration. The DAC directed the management to inquire into matter and provide final audited accounts, registration of trust and the revised reply.

Audit recommends implementation of the DAC directives.

9.5.4.19 Recurring loss due to non-renting of vacant spaces – Rs.100.596 million

Rule 4(3) of the 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, in accordance with the Ordinance.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that 355 Nos. of Houses / Flats / Commercial Units remained vacant at Steel Town, Karachi. The management sustained a recurring loss of Rs.100.596 million on vacant property as detailed below:

(Amount in Rs.)					
S#	Category	No. of Vacant Space A	Rate per month B	Amount Per month C (A*B)	Amount Per Annum D (C*12)
1.	A	37	11,000	407,000	4,884,000
2.	D	8	15,500	124,000	1,488,000
3.	E	36	17,500	630,000	7,560,000
4.	F	21	15,500	325,500	3,906,000
5.	GMB	8	75,000	600,000	7,200,000
6.	GR	20	50,000	1,000,000	12,000,000
7.	H	18	37,000	666,000	7,992,000
8.	LD	18	24,000	432,000	5,184,000
9.	LS	97	17,000	1,649,000	19,788,000
10.	G	25	38,000	950,000	11,400,000
11.	T	42	27,000	1,134,000	13,608,000
12.	M	8	17,500	140,000	1,680,000
13.	P	9	29,000	261,000	3,132,000
14.	S	7	8,500	59,500	714,000
15.	SQN	1	5,000	5,000	60,000
Total		355			100,596,000

Audit is of the view that the management failed to rent out the vacant property which resulted in a recurring loss of Rs.100.596 million which reflects negligence and slackness.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that said houses / flats were provided to the low paid employees. The DAC directed that the management to make efforts to rent out the vacant space and recovery be made from monthly salary future and provide relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.20 Non-auction of condemned vehicles - Rs.80.585 million

Section 4(3) 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, 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 Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that 109 vehicles of PSM valuing at Rs.80.585 million were lying non-functional / obsolete since long. (Annex-65). Resultantly, the market price of vehicles decreases due to

Audit is of the view that the management failed to auction timely resulting in depreciation and deterioration of the vehicles.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the auction process has been commenced. Tender has been opened in December 2023. It will be decided within one month. The DAC directed to expedite auction process.

Audit recommends implementation of the DAC directives.

9.5.4.21 Loss of public money due to fraudulent activities - Rs.53.994 million

Rule 4 (3) of the 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, 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 Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that a Departmental Enquiry Committee submitted an investigation report of lost assets and fraudulent activity at Nokundi and Dalbadin Stores in Balochistan amounting to Rs.53.994 million. Subsequently, a show cause notice and charge sheet was issued to Mr. Muhammad Naeem (ADCE-IC (DIOP)), but no action was taken against the culprits till date. Detail of loss was as under:

S#	Description	Amount (Rs)
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1.	<u>Loss in terms of assets and machineries</u>	40,455,800
	Loss in terms of assets and machineries at all DIOP Sites including Liaison Office Quetta	
2.	<u>Loss in terms of Chowkidars and other employees' salaries</u>	180,000
a.	Loss in terms of salaries regarding security guards deployed at Kulli Koh site -03 personnel	
b.	Loss in terms of salary regarding security guards Mr. Abdul Hameed, from July, 2017 till date	1,200,000
c.	Loss in terms of salary regarding security guards Mr. Nabi Bux from July, 2017	1,200,000
3.	<u>Loss Regarding the Nokundi Store Inventory</u>	6,170,117
a.	As per the location code 02-550 (680 items)	
b.	As per the location code 1080	4,788,424
Grand Total		53,994,341

Audit is of the view that the management did not safeguard the precious assets of the company and no timely action was taken against the culprits. This indicates criminal negligence on the part of management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that a civil suit was lodged instead of criminal proceeding. The DAC directed the management to lodge a FIR against the accused employees, share dismissed notification and inquiry report with Audit.

Audit recommends implementation of the DAC directives.

9.5.4.22 Irregular appointment of security guards – Rs.49.188 million

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

According to Cabinet Secretariat (Establishment Division) letter No. 06/02/2000, the appointments on contract basis in Autonomous/Semi-Autonomous bodies, Corporation, Public Sector Companies etc can be through open advertisement in the leading and regional Newspapers indicating prescribed Academic and professional qualification, experience, age provincial/regional quotas etc.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management appointed 128 numbers of security guards (Annex-66) in various categories on a fix pay ranging from Rs 1,100 to Rs.1,167 per day without any advertisement, codal formalities and approval by the competent authority. An expenditure of Rs.49.188 million was incurred on their pay since their appointment from August, 2021 to May, 2023.

Audit is of the view that the management did not adopt the codal formalities in the appointment of Security Guards in violation of rules. Thus, expenditure of Rs.49.188 million stands irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the relevant experience and police verification have been carried out to appoint the security guard. The DAC expressed displeasure and directed the management to follow the prescribed process and why not hiring was made through third party and on advertisement and to provide relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.23 Irregular / unjustified payment on account of Voluntary Separation Scheme - Rs.48.735 million

Rule 5(1) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that on the directives of Honorable Supreme Court of Pakistan, the management implemented Retrenchment Scheme for the year 2019 to 2023. In addition to this, the management also introduced Voluntary Separation Scheme (VSS) for all employees and paid benefit amounting to Rs.48.735 million (Annex-67) on account of 01 month's notice pay, leave encashment and other benefits for the years 2021-23. This payment was made to those employees who were close to retirement or near to retirement.

Audit is of the view that payment under Voluntary Separation Scheme in presence of Retrenchment Scheme reflects undue favor to the employees. Thus, payment of Rs.48.735 million stands irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed the DAC that VSS option was for all employees of Pakistan Steel Mills regardless of whether they were close to retirement or near retirement. The reason was to save the steel mills from further losses by reducing the man power and salary expenditures. The management informed that no extra payment was made to the employees. Audit contended that VSS was unjustified and excess payment were made to retired or near to retirement employees. The DAC directed the management to provide justification and relevant record to the Audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.24 Irregular re-hiring of services of officers / officials on contract basis under Retrenchment Scheme - Rs.33.014 million

Rule 4 (3) 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management hired 85 officers and officials from 06.07.2021 to 30.06.2023 (Annex-68) despite the fact that retrenchment scheme was finalized w.e.f 26-11-2020.

Audit is of the view that appointment after coming into effect of retrenchment scheme was unjustified. Hence, the appointment and expenditure of Rs.33.014 million on account of pay and allowances was held irregular / unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the retrenched employees were terminated. The DAC directed the management to provide dismissal order and relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.25 Irregular procurement by splitting – Rs.29.478 million

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

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management awarded contracts/purchased groceries items i.e., wheat, rice, chicken etc. valuing at Rs.29.478 million through different purchase orders on splitting basis in violation of PPRA Rules. Detail is as under:

(Amount in Rs)	
Catering - Guest House	Food Shop
12,344,813	17,133,900
Total	29,478,713

Audit is of the view that procurement of groceries items worth Rs.29.478 million on splitting basis was held irregular.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management reply that Pakistan Steel Guest House is providing boarding and lodging facilities on semi commercial basis. Audit contended that procurements should be made as per PPRA rules. The DAC directed the management to improve the system and make compliance of the rule.

Audit recommends implementation of the DAC directives.

9.5.4.26 Loss due to non-renting out of vacant space - Rs.23.322 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that an area at FTC Building, Karachi was lying vacant since 01.07.2022 due to which the management failed to earn rental income of Rs.23.322 million as detailed below:

S#	Description	Monthly Rent (Rs)	Annual Rent (Rs).
1	Area at FTC Building	1,151,681	13,820,172
2	Snap Bar I & II, Steel Town	791,829	8,661,948
Total		1,943,510	23,322,120

Audit is of the view that major portion of PSM premises was lying vacant for more than one year which reflected negligence and slackness.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to provide tender documents and efforts should be made to rent out the vacant space.

Audit recommends implementation of the DAC directives.

9.5.4.27 Undue favour to the tenant party - Rs.21.600 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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.

As per advertisement dated on 19-03-2023, License out KASHANA Building & 04 Lawns (A to D) etc.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, management published an advertisement in local newspapers for “License out KASHANA Building & 04 Lawn (A to D) at Gulshan-e-Hadeed. In response only 01 bidder participated i.e., M/s New VIP Decoration Catering Services and bid offer @ Rs. 600,000 per month. In addition, the management irregularly allotted an area/space about 941,933.41 sq. ft. for quarters and others to the same party, which was not mentioned in advertisement. The detailed allotted area is given below: -

S#	Premises	Area (sq.ft)	Approx. Capacity
1	Kashana Office Building	4,431 x 28,862 (two floor)	For office
2	Lawn-A	13,551	350 persons
3	Lawn-B	17,631	800 persons
4	Lawn-C	10,288	300 persons
5	Lawn-D	28,908	1200 persons
Extra Space			
	Open Area, Hotel and shops etc	941,933.41	Can be developed for additional Lawn/ Restaurant/ Parking

Audit is of the view that the management allotted extra space to the tenant, which was irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed to investigate the matter. Further, directed to provide the revised reply to audit.

Audit recommends implementation of the DAC directives.

9.5.4.28 Wasteful expenditure on zonal offices – Rs.11.496 million

Finance Division’s O.M No. F.15 (13) R-14/82 dated September 05, 1982 states that 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 strictly in accordance with the prescribed rules or specific orders of the Government.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management incurred an expenditure of Rs.11.496 million on account of salaries and other expenditure pertaining to Zonal Offices (Lahore & Islamabad) without having any sales activity since December, 2015. The details are as under:

S#	Description	No. of Employees	Avg Salary / P.M	Annual Expenditure (Rs.)
1	Salaries & Allowances	21	30,000	7,560,000
2	Other Expenditure	-	-	3,936,000
Total				11,496,000

Audit is of the view that expenditure was wasteful and unjustified due to closure of operations since long reflects poor financial management

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management reply that to facilitate Chief Executive Officer, high officials of PSM, Chairman/Members Board of Directors PSM, Ministry of Industries and Production officials. Arrange their boarding, lodging messing during Islamabad visit. This Office also used as Camp Office/CEO's Secretariat, at Islamabad. The management informed that the staff is essential from security point of view. The DAC directed to settle the paras for verification.

Audit recommends implementation of the DAC directives.

9.5.4.29 Unsatisfactory performance of vendor - Rs.6.770 million

Rule 19 of PPRA-2004, states that the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority.

As per terms and conditions of the agreement between PSM and M/s. Softronics (Pvt) Ltd dated: 05-07-2021, vendor is bound to complete the work within 30 days.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the contract for up-gradation of Pakistan Steel's cloud-based ERP modules was awarded to M/s Softronics (Pvt) Ltd on 05-07-2021 amounting to Rs.5.170 million. The vendor was bound to complete the work within 30 days. However, after lapse of considerable time, its performance remained un-satisfactory with respect to updation of HR data, preparation of annual accounts and reconciliation of different heads of accounts on ERP system. This was also pointed out by the management of PSM to the MoIP dated March 03, 2023.

Audit is of the view that due to un-satisfactory performance of M/s. Softronics, PSM faced inaccuracy in data related to retrenchment of employees and non-reconciliation of its financial statements.

Thus, the total expenditure amounting to Rs.6.770 million (Rs. 5.170 million + 1.600 million maintenance cost) was irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed that the Liquidity Damage (LD) charges be levied and performance of the Softronics should be share with audit.

Audit recommends implementation of the DAC directives.

9.5.4.30 Irregular appointment of Corporate Secretary - Rs.6.422 million

Rule14 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that no person shall be appointed as Company Secretary of a Public Sector Company unless he is a,

- a. member of a recognized body of professional accountants; or
- b. member of a recognized body of corporate or chartered secretaries; or
- c. person holding master degree in Business Administration or Commerce or being a Law Graduate from a university recognized by Higher Education Commission and having at least five years relevant experience.

Govt. of Pakistan, Establishment Division vide its OM. No. 6/2/2000-R.3 dated May 06, 2000 issued policy guidelines for contract appointments for the posts in autonomous/semi-autonomous bodies, corporations, public sector companies etc. According to the Para-(iii) Vacancy should be advertised in the leading national and regional newspapers and selection should be made through regularly constituted Selection Committees / Boards.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management appointed of Mr. Muhammad Shafiq Anjum as Corporate Secretary on contract basis after superannuation and without advertisement in April 07, 2021 for 01 year, which was further extended up to December, 2023. Furthermore, his qualification was B.E which was in violation of required qualification.

Audit is of the view that the appointment on deficient qualification, without advertisement and after superannuation without approval of Prime Minister was in violation of rules. Thus, payment of salary amounting to Rs.6.422 million stands irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to provide the revised reply along with justification.

Audit recommends implementation of the DAC directives.

9.5.4.31 Irregular appointment of External Auditor – Rs.5.900 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.

Rule 39 of PPRA Rules, 2004, states that where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten per cent of the contract amount.

As per tender advertised on newspaper "Prospective firms/companies are required to submit tender fee of Rs 500 (non-refundable) in shape of pay order along with 'Technical proposal' and earnest money (refundable) equivalent of 2% of total bid value in shape of pay order along with 'Financial Proposal'.

During audit of Pakistan Steel Mill (PSM) for the year 2022-23, it was observed that the management hired the services of External Auditor, M/s Horwath Hussain Chaudhury & Co, Chartered Accountant on 20-12-2018 for the compilation of annual accounts for the year 2015-16 for Rs.0.800 million per annum.

It was further observed that Earnest money @ 2% and performance bank guarantee 10% were not obtained from the audit firm and the appointment was made without the concurrence of the Auditor General of Pakistan.

Audit is of the view that appointment of external auditors was against the rules and hence irregular.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management that the compliance should be made in letter and spirit.

Audit recommends implementation of the DAC directives.

9.5.4.32 Loss due to theft of various items - Rs.4.710 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that a theft was committed of finished and unfinished Brass and Copper materials weighing 03 tons on June 04, 2021 valuing Rs.4.710 million. It was revealed that Mr. Abdul Rehman (AXEN, MERS-CMD) was the main culprit of this criminal activity. He was issued a Charge Sheet on 15-10-2021. Nor any FIR was lodged neither any legal action was taken against him despite a lapse of more than one (01) year.

Audit is of the view that the management failed to safeguard its assets and did not take any action against the accused employee, which reflects negligence and undue favor. Thus, sustained a loss of Rs.4.710 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the FIR was lodged and case was pending in the Court. Further, all the recovery has been made. The DAC directed the management to provide FIR copy, dismissal order and recovery records to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.33 Excess payment to Consultant / Specialist Attorney – Rs.3.160 million

As per Pakistan Steel dated January 11, 2021, the Board in accordance with the relevant provisions of “Procurement of Consultancy Services Regulation, 2010” and “Public Procurement Rules 2004” declares the ongoing retrenchment, restructuring and revival process an emergency situation and approves the hiring of Specialist Attorney to oversee the whole retrenchment process against consultancy charges Rs.5.000 million.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management hired the services of Mr. Shahid Anwar Bajwa, as a Specialist Attorney / Consultant of PSM at a fee of Rs.5.000 million for retrenchment plan. However, the management paid an excess amount of Rs.3.160 million without approval of the competent authority. Detail is as under:

(Rs. in million)			
Description	Fees Agreed	Fees Paid	Excess Paid
Whole Retrenchment Process	5.000	8.160	3.160

Audit is of the view that excess payment of Rs.3.160 million without approval from competent authority was irregular / unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the amount paid was approved from the BoD. Audit contended that excess amount paid was irregular. The DAC directed the management to provide relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.34 Un-due favour extended to the educational staff - Rs.2.100 million

As per section 2.33 of promotion Policy of Pakistan Steel Mills (PSM), Promotion shall be made subject to the availability of sanctioned vacant post in the next higher grade depending on the seniority and fitness of the officer.

A limited percentage of outstanding Technical Officer will also be considered for promotion to the next rank of Assistant Manager.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management promoted 14 employees of educational staff from Junior officer to Assistant Manager without having a qualified degree and relevant experience in violation of promotion policy. Further, their services were also regularized from contract to regular cadre by the management by implicating the orders of Honorable High Court of Sindh. Detail is as under: -

(Amount in Rs)					
S#	Name of Employees	Designation	Promoted	Monthly Impact	Total

1	Ms. Samina Arshad	Junior Officer	Assistant Manager	5,000	150,000
2	Ms. Naseema Khalid	Junior Officer	Assistant Manager	5,000	150,000
3	Ms. Suriya Rashid	Junior Officer	Assistant Manager	5,000	150,000
4	Mr. Javed Iqbal	Junior Officer	Assistant Manager	5,000	150,000
5	Ms. Quratulain	Junior Officer	Assistant Manager	5,000	150,000
6	Ms. Shabila Haider	Junior Officer	Assistant Manager	5,000	150,000
7	Ms. Zaibunnisa	Junior Officer	Assistant Manager	5,000	150,000
8	Ms. Mobeen Kiran	Junior Officer	Assistant Manager	5,000	150,000
9	Ms. Asma Yousuf	Junior Officer	Assistant Manager	5,000	150,000
10	Ms. Rabia Basree	Junior Officer	Assistant Manager	5,000	150,000
11	Ms. Najma Khalid	Junior Officer	Assistant Manager	5,000	150,000
12	Ms. Nayyar Qayyum	Junior Officer	Assistant Manager	5,000	150,000
13	Ms Tahira Sattar	Junior Officer	Assistant Manager	5,000	150,000
14	Mr. Rashid Amiri	Junior Officer	Assistant Manager	5,000	150,000
				Total	2,100,000

Audit is of the view that the management extended an un-due favor to the educational staff by promoting them against the promotion criteria. Resultantly, the management overburdened the exchequer by further increasing the monthly pay roll amounting to Rs.2.100 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that these employees were absorbed on the basis of Education staff/ Hadeed Welfare Trust deed. A Scrutiny Committee was formed to look after the matter. The favour was allowed on the recommendation of Scrutiny Committee. Audit contended that Hadeed Trust was in huge losses and absorbing its employees without due diligence was irregular. The DAC directed the management to share the all court orders, rules and relevant documents with audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.35 Loss of rental income by charging lesser rates - Rs.1.528 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management entered into agreement with M/s. Sindh Health Care Commission, Karachi for rent of 2nd floor of FTC Building, Karachi on April, 2022 having area of 3,050 square feet on a monthly rent of

Rs.178.45 per square feet per month, for a period of 3 years. However, the rent per sq.ft was Rs.192.374 per sq.ft according to last agreement of same premises. The management sustained a loss amounting to Rs.1.528 million on charging lesser rates as detailed below:

Name of Tenant & Area	Date of agreement	Rate per sq. ft. (Rs)	Difference in rates per sq. ft. (Rs)	Area rented (sq. ft.)	Loss (Rs.)
		1	2	3	4 (2 x 3)
M/s Sindh Health Care Commission (3,050 sq. ft)	04.07.2022 to 30.06.2025	178.450	13.924 (192.374 -178.450)	3,050	42,468
M/s Sindh Health Care Commission (10,081 sq ft)	15.03.2018 to 14.03.2023	192.374	-	-	-
Loss of rental income for 03 years (42,468*36)					1,528,855

Audit is of the view that the management extended an undue favor to the tenant by charging lesser rates which reflected poor financial management. Thus, sustained a rental loss of Rs. 1.528 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management stated that FTC Space 10,081 sq. ft was allotted to Sindh Health Care Commission in March, 2018 @ Rs.134 per sq. ft with increase of 7.5% yearly, which enhanced to Rs.192.37 per sq. ft in 2023 after yearly increase. The FTC Space 3050 sq. ft was also allotted to Sindh Health Care Commission in July 2022 @ Rs.178.45 per sq. ft with increase of 7.5% yearly, which has now come to Rs.191.83 per sq. ft in 2023. The DAC directed to settle the para subject to verification of tender documents and rates.

Audit recommends implementation of the DAC directives.

9.5.4.36 Loss due to theft incidents - Rs.1.198 million

Rule 4 (3) of the 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that PSM sustained a loss of Rs.1.198 million due to theft incidents of various items as detailed below:

S#	Case No.	Description	Occurrence Date	Value (Rs.)
1.	2232-D	Cable, Copper Wire etc from store building-IV	03-10-2022	39,601
2.	2276-D	04 Batteries (180 amp) from two buses token no. 1988 & 2084	31-01-2023	120,000
3.	2315-D	Gear box of Hino Vehicle of pat	21-04-2023	650,000

4.	2323-D	CCTV Camera installed at CB Petrol Pump	17-06-2023	10,000
5.	2247-D	40-45 condemned batteries from Transport Workshop	21-11-2022	56,000
6.	2279-D	Investigation into theft attempt took place at SMC-Lahore	05-02-2023	186,000
7.	2304-D	Missing of 9 mm pistol of security in the night of 08-04-2023	05-07-2023	136,875
Total				1,198,476

Audit is of the view that the management failed to protect its assets which resulted in theft of items valuing Rs. 1.198 million. This showed weak internal controls and poor monitoring mechanism.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to provide the revised reply showing the latest status.

Audit recommends implementation of the DAC directives.

9.5.4.37 Re-appointment of retrenched employee on daily wages – Rs.1.068 million

According to the Honorable Supreme Court of Pakistan Order's dated Sep. 15, 2020, the PSM Management was adopted / exercised the procedure of Retrenchment of PSM Employees in November, 2020 under Section 11-A of the Industrial & Commercial Employment (Standing Order) Ordinance 1968 to curtail the manpower of Pakistan Steel Mills as per requirement of Privatization Commission of Pakistan and to minimize the financial burdens on the Public Exchequer.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that Mr. Muhammad Rizwan (Senior Assistant), a retrenched employee, filed a Petition in the Hon'ble Court of National Industrial Relation Commission (NIRC) against the management. The petition stated that the PSM had irregularly terminated his services by the way of retrenchment and committed gross violation of law as well as directions of the BoD dated October 23, 2020 which directed to retrench 49% of workers of each category. The petitioner also stated that as per Standing Order no.14 of Industrial & Commercial Employment Ordinance, 1968, where any number of workmen are retrenched and the employer proposes to take into his employ any person within a period of one year from the date of such retrenchment, he shall give an opportunity to the retrenched workmen belonging to the category. Furthermore, the incumbent also stated that after retrenchment, a number of incumbents have been appointed / re-hired on attaining the age of superannuation by the management instead of offering the post to the retrenched employees in accordance of the above referred rule. Resultantly, the management re-appointed / re-hired his services on daily wages.

Audit is of the view that the extended an undue favour to the incumbent by way of re-appointment / re-hiring his services on daily wages at Rs.1.068 million (Rs.3,000 per day *24 days * 15 months) per annum. Thus, his re-appointment stands irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that now all retrenched employees have been terminated. The DAC expressed displeasure and directed the management to provide relevant record of rehired employees to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.38 Irregular promotion against Court decision

According to the judgment of Honorable Supreme Court of Pakistan (appellant Jurisdiction) in the Civil Petitions No. 326/K & 513/K of 2018, the Steel Mill is lying closed since June, 2015, but its employees are still employed in the Steel Mill and or claiming all sorts of benefits including increments, promotion and other perks and privileges. The impugned judgment challenged in the present Civil Petition for Leave to Appeal (CPLA) is also one of the examples where promotions have been allowed to the respondents who are 76 in numbers. It seems that period to the said order, the learned High Court has passed other orders in CP No. D-5326 of 2013 & CP No. D-842 of 2014, where similar promotions have been granted. We are unable to understand how when the Steel Mills itself is not operating and producing anything why the employees are employed there and from where the payments are being paid to them by way of their emoluments and other benefits as noted above. All these officers have to be attended in immediately by the Federal Government, particularly, the Secretary, MoI&P Islamabad. The learned Attorney General states that he will obtain instruction and place the same before this Court. In the meantime, we grant leave to appeal in this case and at the same time suspend the operations of the impugned judgment.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management did not implement the judgment of Honourable Supreme Court of Pakistan and instead of demotion of promoted officers in the Assistant Manager Cadre, designated the post of General Manager (Incharge Administration & Personal) to Mr.Zardad Abbasi as the officer was to be posted as OSD till the final decision of the Court.

Challenged the promotion order in Honorable Supreme Court as appeal No. 513 & 326. The Court suspended the orders of Sindh High court Karachi on March 12, 2020 and dismissed the decision of promotion case of Mr. Zardad Abbasi along with 76 others as mentioned above.

Audit is of the view that the management has failed to faithfully implement the judgment of the Hon'ble Supreme Court of Pakistan and has shown disloyalty on behalf of its favored employees.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that matter is subjudice in Supreme Court of Pakistan. DAC pended the Para till final decision of Supreme Court. Further, to verify that Para already printed in the audit report for the year 2022-23.

Audit recommends implementation of the DAC directives.

9.5.4.39 Non-preparation / finalization of annual accounts

Section 10(1) of Public Sector Enterprises (Corporate Governance) Rules, 2013, stated that every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of

account, prepare a profit and loss account for, and balance-sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website.

Section 233 of Companies Act, 2017 states that the balance sheet and the profit and loss accounts and income and expenditure account are audited by the statutory auditor of the company and auditor's report is to be attached with the annual accounts.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management of did not finalize the annual accounts for the year 2022-23 in violation of rules.

Audit is of the view that the management failed to finalize the accounts.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that Annual accounts 2022-23 have been prepared and it will be approved in the next BoD meeting. The DAC expressed displeasure and directed the management to provide the Annual Accounts to audit.

Audit recommends implementation of the DAC directives.

9.5.4.40 Non-verification of degrees / certificates

According to Establishment Division D.O No.6 (28) 2011-DG-II Mar 08, 2011, the Prime Minister directed that measures should be taken to authenticate degrees/ certificates of all Federal Government employees of the respective Ministries/ Divisions, their attached departments, subordinate offices and autonomous bodies under their administrative control.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management did not verify the degrees from concerned institutes / universities till date. The detailed are as under.

S#	Name of Employees	Designation	P.No.	Degree	Date of Joining
1	Muhammad Akram	Superintendent Engineer	821349	Electronic Engg.	04.05.1994
2	Muhammad Asghar Shaheen	A.Manager (Law)	822922	L.L.B	May, 2004
3	Quratul Ain	Assistant Manager	828041	B.Sc	01.11.2021
4	Mukhtiar Ahmed	A.Deputy Chief Engineer	817139	B.E	09.07.1989
5	Muhammad Yaseen Bhutto	Superintendent Engineer	819085	B.E	21.02.1990
6	Jawed Akhter	Superintendent Engineer	819581	B.E	22.11.1990

Audit is of the view that the management failed to verify the degrees / certificates which reflects weak internal controls and violation of rules.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC expressed displeasure and directed the management to expedite the matter for degrees / certificates verification within one month.2.100

Audit recommends implementation of the DAC directives.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

Muhammad Imran Shahid
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9.6 Pakistan Steel Fabricating Company (Pvt.) Limited

9.6.1 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.

9.6.2 Comments on Audited Accounts

9.6.2.1 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 2016-17 to 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2016-17 to 2022-23 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

9.6.3 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 (remainig to be discussed in PAC)	40%
2015-16	4	1	3	8.10.2.1, 8.10.3, 8.10.4.1	25%
2017-18				9.10.4.2	

2019-20	-	-			-
Total	50	29	21		58%

The overall compliance of PAC directives needed improvement.

9.6.4 Audit Paras

9.6.4.1 Loss due to non-recovery of rent – Rs.972.943 million

Section 5(1) of Public Sector Companies (Corporate Governance) Rules, 2017 states that the Board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was noted that the management approached M/s Pakistan Steel Mills on 23 December, 2020 for vacation of transport building (4,843 Sq feet) under use of PSM since 1985 and amount of rent since then. However, the amount of rent of Rs.972.943 million (Annex-69) was not realized despite lapse of 36 years.

Audit is of the view that non-recovery of the amount despite lapse of 36 years reflected negligence of the management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to convene a meeting between PFCL and PSM having representative from MoIP, to discuss the complete dues against each other and outcome of the same may be shared with Audit.

Audit recommends implementation of the DAC directives.

9.6.4.2 Irregular auction of usable material – Rs.115.621 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that 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 safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that the management auctioned quantity of 990 metric ton as scrap in October, 2021, despite the fact that Scrap Identification Committee had declared the material usable on 12 March, 2020. The detail is hereunder:

(Amount in Rs.)					
S#	Material / Scrap Category	Qty (MTN)	Rate of the Highest bid per Kg.	Bidder's Name	Total value

1	Heavy Girders, I-Beams, Angles and Rails etc	400	121.90	M/s Abdullah Engineering	48,760,000
2	Pipes	40	98.15	-do-	3,926,000
3	HR Sheet, Thick Plates, Billets, and Slab prices	200	135.65	Asian Salvage	27,130,000
4	Fabricated pieces (ducts, half round sheet, trusses etc)	350	102.30	-do-	35,805,000
Total		990			115,621,000

Audit is of the view that auction of the usable material neglecting committee recommendation on fitness of the items for future use was unjustified and irregular in audit.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to submit revised reply alongwith documentary evidence regarding disposal of material approval and utilization of the amount. DAC further directed that Joint Venture approval and status of the JV may also be shared with audit and MoIP.

Audit recommends implementation of the DAC directives.

9.6.4.3 Loss due to non-renting out of land - Rs.84.276 million

Rule 5(1) of the Public Sector Companies (Corporate Governance) Rules, 2017 states that the 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 Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that 70.23 acres of land were not utilized by the management since operations of company. The detail is given as under:

(acres)		
Total land	Land Utilized	Land not utilized
89.23	19 (including tenants)	70.23
Approx loss of revenue	Rs.84.276 million (70.23x100,000 per acre in a month x 12)	

Had management rented out land, the company could have earned an amount of Rs. 84.276 million in a year.

Audit is of the view that non-renting out of the land reflected negligence of the management in utilization of the assets.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.6.4.4 Non-recovery of outstanding amounts from various parties – Rs.83.874 million

As per rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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 safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that an amount of Rs 83,874,711 was outstanding against various debtors since long. Details are as under:

(Amount in Rs.)		
S#	Description(s)	Amount
1	Advances to suppliers	57,487,387
2	Advances for Services	121,450
3	Retention Money	8,457,040
4	Marginal Against letter of Credits	1,727,834
5	Outstanding rent	13,300,000
6	Custom authorities	2,091,000
7	PSFCL's employees	690,000
	Total	83,874,711

Audit is of the view that substantial amount of Rs 83,874,711 was outstanding against various parties which reflected weak financial management of the company.

The matter was reported to the management on 27-03-2023. The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023.

- a) DAC directed to submit revised reply with respect to efforts made for recovery from custom authorities and employees, updated status of Ombudsman case may be intimated to the audit and MoIP.
- b) DAC directed the management to provide record regarding recovery already made to audit for verification. Para will remain at DAC level till final recovery of the amount.
- c) DAC directed the management to provide detail regarding sale of Jet Refuller to audit for verification i.e. Advertisement in newspaper, Bids Received, Award of contract and sale proceeds.

d) DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 104, 108, 109 & 119)

9.6.4.5 Loss due to shortage of materials – Rs 67.733 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that 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 safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management awarded works to contractors for lifting the scrap material on 21 October, 2021. However, the contractors could not lift the material as per letter of award due to shortage of material at sites (Annex-70). Detail is as under:

Amount in Rs. & Qty in KG					
S#	M/s	Qty to be lifted	Qty lifted	Short-lifted	Value (Short-lifted)
1	Faisal & Company	200,000	77,180	122,730	6,203,120
2	Abdullah Engineering	700,000	442,510	257,498	27,050,327
3	Asian Salvaging Company	550,000	247,660	302,340	34,479,775
Total					67,733,000

Audit is of the view that shortage of material at site was unjustified and reflected negligence on part of the management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed that management to reconcile the figures with Audit under intimation to the MoIP.

Audit recommends implementation of the DAC directives.

9.6.4.6 Irregular / unjustified procurement of steel racks – Rs 50.314 million

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

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management entered into agreements with the contractors without competitive bidding. Detail of contracts is as under:

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(Rs. in million)			
S#	Description(s)	Name	Amount
1	Supplied of 1502 steel racks @ Rs. 25,000/= each	M/s Asad Trader	37.550
2	Disposed of W-Beam Guard Rail & accessories	M/s Tabani Enterprises	12.764
Total			50.314

Audit is of the view that award of works without open competitive bidding was in violation of public procurement rules, hence, held irregular.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed to conduct inquiry at ministry level and fix the responsibility.

Audit recommends implementation of the DAC directives.

9.6.4.7 Non-achievement of business target – Rs.29.750 million

As per rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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 safeguarded and used economically, efficiently, and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that Board approved revenue target of Rs. 29.750 million for the year 2019-20. However, the management did not realize the target.

Audit is of the view that non-achievement of the target reflected inaction of the management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to submit revise / fresh reply to Audit.

Audit recommends implementation of the DAC directives.

9.6.4.8 Irregular lifting of material beyond letter of work award – Rs.19.007 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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 safeguarded and used economically, efficiently, and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management awarded a contract of lifting of following items to M/s Tabani Enterprises on 13-06-2018. However, the contractor lifted the material in excess of the quantity specified in work award. Detail of excess items lifted is as under;

Amount in Rs. & Qty in pieces (Nos.)						
S#	Items Description(s)	Quantity as per Letter of Award	Actual quantity lifted	Excess Quantity Lifted	Rate per unit Avg	Amount of Excess Quantity
1	W-Section	2,014	4,338	2,324	5,719.00	13,290,956
2	End Pieces	577	886	309	1,603.00	495,327
3	Channel Post	589	2,386	1,797	763.25	1,371,560
4	Lifting of material without tender					3,850,000
Total						19,007,843

Audit is of the view that excess lifting of the material / without letter of award was in violation of the public procurement rules, hence, held irregular.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023.

- a) DAC directed that management to reconcile the figures with Audit under intimation to the MoIP.
- b) DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.6.4.9 Violation of rules due to irregular / unjustified rented out premises without tendering – Rs.10.800 million

Rule 04 PPRA, 2004 of states that procuring agencies, while engaging in procurement, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value of money to the agency and the procurement process is efficient and economical. Further, clause 40 stipulates that without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management entered into an agreement on 28.05.2020 for three years with M/s Pakistan Vehicle Engineering (Pvt) Ltd for renting out the Shed Spaces (Wood Craft Shop) along with office (Dispensary). The management constituted Negotiation Committee to finalize the matter and offered rent of Rs.500,000 per month, but the tenants agreed the rent of Rs.300,000 per month along with fabrication of Rs.5,000 per bowser. However, Audit observed the following irregularities;

1. The premises was rented out without open competitive bidding process

2. Rent was fixed on negotiation basis.
3. The increase of rent was 7.5% per annum instead of 10%.

Audit is of the view that renting out of space without competitive bidding and change of cost through negotiation was in violation of PPRA rules, hence, held irregular.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.6.4.10 Un-justified issued of open cheques and cash deposits into bank accounts – Rs.10.205 million

According to Finance Division letter No.F-15(13) R-14/82 dated Sep 05, 1982, the funds provided, acquired or generated by 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. Further, 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 and negligence on his part.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management made following transactions through cash / open cheques instead of the cross-cheques.
(Annex-71)

(Rs. in million)			
Provident Fund	Cash Deposits	Payments to Vendors	Total
1.339	4.933	8.866	15.138

Audit is of the view that transactions through open cheques/cash reflected control weaknesses in the organization.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to get the record verified from Audit. DAC further directed that in future all such payment should be made through crossed cheque instead of open cheque.

Audit recommends implementation of the DAC directives.

9.6.4.11 Loss of interest income to non-invested of Provident Fund – Rs.8.267 million

According to Section 218 of Companies Act, 2017,“the Employees’ contributory funds, contributory retirement funds and securities, (1) All moneys or securities deposited with a company by its employees in pursuance of their contracts of service with the company shall be kept or deposited by the company within fifteen days from the date of deposit in a special account to be opened by the company for

the purpose in a scheduled bank or in the National Saving Schemes, and no portion thereof shall be utilized by the company except for the breach of the contract of service on the part of the employee as provided in the contract and after notice to the employee concerned”.

As per rules / regulations of the employees’ provident fund of clause 15 states that the moneys of the fund shall be invested as the trustees shall from time to time.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management did not invest following provident funds since May, 2019.

S#	Description(s)	Date of Profit credit into account	Amount	Balance in Rs.	Loss of Income	Discount Rate
1	One year investment	30.05.2019	20,998,250	25,655,242	-	-
2	Semi Annual Gross Profit	20.07.2019	354945	24,060,863	2,592,510	12.25
3	-do-	11.01.2020	1,247,479	16,784,821	95307	8.00
4	-do-	11.07.2020	780,056	16,639,576	551110	8.00
5	-do-	11-01.2021	412,383	14,099,204	574,561	7.00
6	-do-	17-07-2021	381,167	14,356,656	623798	7.00
7	-do-	15-01-2022	422,001	14,664,308	1594341	13.75
8	Annual Profit	31-12-2022	-	16,258,649	2,235,564	13.75
Total					8,267,191	

Audit is of the view that non-investment of funds resulted into loss of the benefits.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to submit revised reply and make efforts for activation of dormant fund and share with audit. DAC further directed that Internal fact finding may be conducted and submit report to Audit.

Audit recommends implementation of the DAC directives.

9.6.4.12 Loss due to leakage / wastage of gas – Rs.2.932 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that 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 safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that there was liability of SSGC for December, 2019 to February, 2020 amounting to Rs. 2.932 million despite the fact that company operations were halted since 2017. Detail is hereunder;

S#	Period	Units Consumed	Gas Charges in Rs.
1	February, 2020	13193	612,297
2	January, 2020	24568	1,146,809
3	December, 2019	22904	1,096,863
Gross Payable			2,855,969
Later Payment Surcharge			76,741
Net Payable			2,932,710

Audit is of the view that consumption of gas after halting of the operation was unjustified.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to conduct internal fact-finding inquiry and share with audit and MoIP.

Audit recommends implementation of the DAC directives.

9.6.4.13 Loss due to penalties – Rs.2.281 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, states that 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 safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that PSFCL paid the penalties due to non-compliance of the rules & regulation of various authorities. Detail is as under:

S #	Name of Authorities(s)	Penalty (Rs. in million)
1	SESSI imposed penalty on account of non-paying of monthly contributions	1.451
2	The management did not submit the General Sales Return from January 2019 to November 2020, due to this management paid penalty charges to the FBR.	0.230

3	Management paid penalty charges to the Security Exchange Commission of Pakistan due to non-compliance of the regulator.	0.60
Total		2.281

Audit is of the view that payment of penalties reflected negligence of the management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to get the record verified from Audit regarding interest rate increase by the SESSI and penalties imposed by the SECP and FBR.

Audit recommends implementation of the DAC directives.

9.6.4.14 Non-finalization of annual accounts

According to Section 233 of the Companies Act, 2017, the company should finalize its annual accounts within four months after closing date of accounts for the year.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that contrary to above, the Annual Accounts of the company for the years 2016-17 to 2021-22 were not prepared / audited by the chartered accountant for the year under review.

Audit is of the view that non-finalization of audited annual accounts reflected weak internal controls in the company.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to complete the audit accounts at the earliest and share with audit under intimation to MoIP.

Audit recommends implementation of the DAC directives.

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9.7 Pakistan Gems and Jewellery Development Company

9.7.1 Introduction

Pakistan Gems & Jewellery Development Company (PG&JDC) was incorporated in 2006 as a company limited by guarantee having share capital under Section 42 of the Companies Ordinance, 1984 (now Company's Act 2017). The registered office of the company is situated at 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 competitiveness 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.

9.7.2 Comments on Audited Accounts

9.7.2.1 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 2020-21 to 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2020-21 to 2022-23 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

9.7.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	3	1	2	8.5.2.1, 8.5.3	33
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
2018-19	8	1	7	9.7.4.3 (Remaining to be discussed in PAC)	12.5
2019-20	-	-	-	-	-
2021-22	4	-	4	8.6.4.3 (Remaining to be discussed in PAC)	-
Total	23	4	19		17.39%

The overall compliance of PAC directives needs improvement.

9.7.4 Audit Paras

9.7.4.1 Increasing accumulated losses – Rs 1,648.160 million

Rule 5 of Public Sector companies (Corporate Governance) Rules, 2017 states that the Board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the year 2020-21 & 2021-22, it was observed that the company has complete failure in generating positive operational results/operational income since many years. The position of operational failure is tabulated below:

(Rs.in million)		
Description	2021	2022
Accumulated Deficit-opening	(1,683,285,140)	Rs (1,701,639,305)
Deficit/Surplus for the year	(18,354,165)	53,479,280
Accumulated Deficit-Ending	(1,701,639,305)	(1,648,160,025)

Thus, PGJDC is not able to generate revenue for its survival and had to rely on Government Grant completely which renders its sustainability questionable.

Audit is of the view that the above scenario reflects that poor planning; monitoring and control resulted in poor performance and led to failure and sustainability issue.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that the main objectives of the company, envisaged under PC-I, were to facilitate the sector through quality assurance, technology up-gradation and skill development. Therefore, instead of viewing the financial loss having been incurred due to peculiar business model of the company, the economic impact of the intervention may be seen. DAC directed the management to submit revised reply with justification of sustaining losses.

Audit recommends implementation of the DAC directives.

9.7.4.2 Non-utilization of assets of training & manufacturing centers – Rs.77.030 million

According to Article of Association of company, the objectives of the Development Projects of PGJDC are as under:

1. Productivity growth: To ensure productivity growth through skill development, technology up-gradation, R&D and innovation
 - Establishment of Gems and Jewellery Training Manufacturing Centers
 - Establishment of Gems Testing Laboratories
 - Establishment of Assaying and Hallmarking Centers

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that management has taken initiative of building and developing Gems and Jewellery Training and manufacturing Centers, Testing Laboratories and Gem exchanges in selected locations of the country. But due to bad governance, ill planning, poor financial management and weak financial controls, these units have become non-operational since June 30, 2019 and assets under the title of each establishment has cumulative worth of Rs.77.030 million which are subject to gradual deterioration and cumulate further losses. The detail of unexpired cost as on June 30, 2022 is as follows:

S. No.	Gems & Jewellery Establishment	No. of Units	Locations	Assets (Rs in million)
01	Training Manufacturing Centers	07	Karachi, Lahore, Peshawar, Quetta, Gilgit, Muzafarabad and Sargodha.	60.47
02	Gems Exchanges	02	Queeta & Peshawar	1.60
03	Assaying and Hallmarking Centers	02	Karachi and Lahore	14.96
Total				77.03

Audit is of the view that management failure is evident in keeping above centers operational to support export and economy. Further, non-utilization of precious economic assets reflects poor asset management and may lead to further loss to government exchequer.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that in order to attain the approved aims and objectives of the company, the assets were optimally utilized during the project period i.e 2007-2017 and as a result of interventions by PGJDC, the quality of gems and jewellery products improved and the exports were increased from USD 47.00 million (2006-07) to USD 1.18 billion in 2012-13. DAC directed the management that the matter of winding up proceeding is to be taken up with SECP and progress will be shared with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.3 Non-recovery of advances / dues from various parties – Rs.18.691 million

Rule 38 of GFR provides that it is primary responsibility of the departmental authorities to see that all revenues or other debts due to government, which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that various parties have long outstanding balances which were not recovered as detailed below:

S#	Description	Aging (Outstanding Period)	Amount(Rs)
1	Income Tax Refundable	Over 03 years	7,231,600
2	Advance Income Tax	Over 03 years	9,910,833
3	Advances	Over 03 years	1,391,036
4	Other receivables	Over 03 years	712,78
5	Prepayment	Up to 01 year	158,182
Total			18,691,651

Audit is of the view that due to poor pursuance and weak internal controls, an amount of Rs.18.691 million is lying outstanding and the chances of recovery are becoming remote with the passage of time, causing losses to the organization.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that the Company is dysfunctional since March 2019 and all employees to whom these advances or receivables were issued or who were responsible to settle these advances have been laid off. Further, majorly advances pertain to 45% advance paid to the Grant Thornton Consulting (Pvt) Ltd. for preparing business plan which would be settled upon completion of works. DAC directed to conduct fact-finding enquiry to asses advances released and adjusted with compliance of due standard, procedure and approval and submit report within 30 days and also share report with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.4 Unjustified booking of amounts on account of deferred liability under gratuity fund scheme – Rs.12.164 million

IAS-19-Defined benefit plans (Measurement) states that the present value of an entity's defined benefit obligations and related service costs is determined using the 'projected unit credit method', which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately in building up the final obligation.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the management operated an unfunded Gratuity scheme without observing IFRS requirement.

Qualification remarks of Chartered Accountant in Annual Report for the year 2021 noted that the company has accounted for deferred liability under Gratuity Scheme based on completed period of service using current salary level which works out to be Rs.12.164 million in the year 2022. The aforesaid policy

of PGJDC is not in line with the requirement of IFRS (IAS-19) which requires usage of projected unit credit method to determine staff Gratuity obligation. Actuarial valuation could not be carried out by the management which raises concern about correct valuation of Gratuity obligation paid and standing as on June 30, 2022.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that the Company is making efforts for establishment of Gratuity funds account which is under process. However, the payment of Gratuity to the retired/contract expired employees is subject to release of funds from Govt. of Pakistan. DAC directed to conduct fact-finding enquiry to assess and report on recording and payment of gratuity liability in compliance of approved contractual terms.

Audit recommends implementation of the DAC directives.

9.7.4.5 Unjustified expenditure after closure of development projects - Rs.7.780 million

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

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the project of Gems and Jewellery Development Company at AJK was completed on October 31, 2017 and remained non-operation since June 2019. However, the management incurred an expenditure of Rs.7.780 million on account of salary, Rent, Utilities and other charges. The details of expenditure is as follows:

Head of Account	Period	GJTMC, AJK (Rs)
Salaries & wages payable	May & June 2019	645,204
Medical claim	July 2018 - June 2019	29,866
Earned leave	July 2018 - June 2019	267,594
Rent payable	March 2019 - June 2022	5,858,719
Petty cash payable	Oct 2018 - Sept 2019	61,332
Utility bills payable (estimated)	Feb 2019 to Dec 2023	700,000
Insurance bill payable (estimated)	July 2022-June 2023	200,000
Accrued liabilities	Feb 2019 to Jun 2020	14,631
	Total	7,777,346

Audit is of the view that expenditures after the completion of the project are wasteful and unjustified.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that implementation period

of GJTTC AJK finished on 31st October 2017. Subsequently, PGJDC requested funds from PIDC to continue operations of PGJDC's Projects, including GJTTC AJK. PIDC provided funds amounting to Rs.44.360 million. Through these funds PGJDC managed to run operations of this project till February 2019. Subsequently, PGJDC became unable to continue operations of the project and closed it down. The employees were also laid off in June 2019. DAC directed that the matter of winding up proceeding is to be taken up with SECP and progress will be shared with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.6 Expenditures without completion of business plan – Rs.1.180 million

Rule 4(3) of Public Sector companies (Corporate Governance) Rules 2017 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the management hired the services of M/s Grant Thornton Consulting Private Ltd (M/s GT) on November 17, 2016 for the preparation of business / continuity plan. The contract was awarded for Rs.2.619 million having completion time of 02 months with deliverable of skill development program for next 20 years. However, despite lapse of 07 years, the management could not get the final version of Business Plan ready for onward submission to Ministry of Industries and Production (MoI&P) and Planning Commission for approval. The management paid expenditure of Rs.1.180 million in favour of consultant for incomplete task.

Audit is of the view that the management failure is evident in getting the Business Plan ready for approval which resulted in wasteful expenditure of Rs.1.180 million.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that payment amounting to Rs 1,178,550 was made after submission of 1st draft by the contractor. No further payments were made as PGJDC BoD did not approve the draft plan with the justification that execution of the Plan requires fresh funding however the federal government was not willing to provide any more funds to PGJDC after completion of PSDP project through which the company was raised and operated for around ten years. DAC directed to conduct fact-finding enquiry to asses' approval from Ministry of finance for Business Plan along with report on completion status, payments released and justification for non-execution. Fact finding Report is to be completed and submitted within 30 days and shared with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.7 Irregular disposal of generator – Rs.0.300 million

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

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the management sold the generator without observing standard procedure of fixing standard selling price through auction which was irregular. The record reflected that Diesel Generator 30 KVA (Perkins) was purchased on June 30, 2009. The generator was kept in a rental premises @ Rs 3,000 monthly charge from October, 2017 after the closure of Gems Exchange Quetta. In July 2019, the generator was sold to M/s Zaib and Brothers at Rs 300,000 without observing auction formalities. Further, the sale was made in favour of M/s Zaib who had standing obligation of rent against the company against which sale was settled which is also irregular and unjustified.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. Management informed that matter was placed before the Board on 31st May, 2019, the Board directed that matter has been already delayed and incurring continuously rental charges of Rs.3,000 and directed to sale Generator who has offered the highest price” but should not be less than present written down value of Generator. Keeping in view of above decision of Board, management sold the Generator to highest bidder i.e M/s Zaib Brothers Pvt Ltd who offered Rs.300,000. The vendor has deposited Rs.300,000 against Company Bank account. In view thereof, competitive process was followed. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.7.4.8 Non appointment of regular CEO since 2017

According to SECP Guidelines, 2015 for appointment of Chief Executive:

2. Advertisement for the Position. - (1) The Board shall initiate the appointment process, at least three months before the term of the incumbent chief executive is going to expire, by issuing a public advertisement in the print media, inviting applications for appointment against the vacant position. The advertisement shall also be posted on the website of the public sector company or that of the line ministry. Direct applications shall also be acceptable, and the fact may be specified in the advertisement.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the company had been running its operations without a Chief Executive Officer since 2017. Since 2017, the key post of CEO was filled through additional or Look After charges as detailed below:

S#	Name of Chief Executive	Date of Joining	Resigned/Contract Terminated	Status
1.	Mr. Muhammad Iqbal Tabish	17-11-2017	05-08-2019	Additional Charge
2.	Mr. Rizwan Ahmed Bhatti	27-08-2019	25-10-2019	Look After Charge
3.	Mr. Shahid Iqbal Qureshi	25-10-2019	15-12-2020	Look After Charge
4.	Mr. Muhammad Shoaib Akbar	16-12-2020	15-03-2021	Additional Charge
5.	Mr. Muhammad Riazuddin	08-06-2021	01-06-2022	Additional Charge
6.	Mr Sajjad Azhar	09-09-2022	14-02-2023	Look After Charge
7.	Mr Sajjad Azhar	14-02-2023	13-05-2023	Additional Charge

Audit is of the view that in the absence of CEO, the company is incurring expenditure at the cost of Government Exchequer without producing operational and other benefits which is unjustified.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that process of appointment of regular CEO was initiated during 2019-20 but the matter could not progress further due to dysfunctionality of company, financial crunch and proposals of restructuring under consideration of Industries and Production including establishment of proposed Pakistan Gems and Jewelry Development Authority (PGJDA). DAC directed that the matter of winding up proceeding is to be taken up with SECP and progress will be shared with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.9 Key Management positions lying vacant

Rule 5 of Public Sector companies (Corporate Governance) Rules, 2017 states that the Board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the year 2020-21 & 2021-22, it was observed that various key management positions were lying vacant in the company since long. Detail is as under:

S#	Name of Post	Number of Post(s)	Date since of vacant post
1.	General Manager (Marketing & Quality Assurance)	01	07-04-2011
2.	General Manager, Training & Development	01	26-02-2018
3.	Chief Financial Officer	01	20-11-2017

4.	Manager Projects	01	01-05-2012
5.	Manager Accounts	01	29-09-2016
6.	Manager (Admin & HR)	01	02-07-2014
7.	Manager (Internal Audit) / CIA	01	02-10-2013
8.	Assistant Manager (Quality Assurance)	01	29-09-2016
9.	Assistant Manager (Projects)	01	29-09-2016

Audit is of the view that key management positions of the company were lying vacant for considerable period which reflects non-existence of professional working set up.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that in the absence of full fledged CEO, lack of operational activity, acute financial crisis faced by company, completion of PSDP Projects in 2017 and full utilization of funds by 2019, only the skeleton staff was retained by PGJDC for disposing off routine matters and hence there was no need to fill management positions. DAC directed that the matter of winding up proceeding is to be taken up with SECP and progress will be shared with Audit.

Audit recommends implementation of the DAC directives.

9.8 Heavy Electrical Complex (Pvt.) Limited

9.8.1 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.

9.8.2 Comments on Audited Accounts

9.8.2.1 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 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the year 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*)

9.8.2.2 The working results of the Company for the year 2021-22 as compared to the preceding years are tabulated below:

(Rs in millions)

Particulars	2021-22	% Inc/ (Dec)	2020-21	% Inc/ (Dec)	2019-20
Sales	78.19	(79.03)	372.93	68.14	221.80
Cost of sales	144.26	(66.34)	428.55	235.17	127.86
Gross profit/(loss)	(66.06)	18.78	(55.62)	(159.21)	93.94
Operating expenses					
Administrative expenses	59.79	3.57	57.73	(6.62)	61.82
Selling & distribution expenses	8.93	(20.17)	11.18	(5.25)	11.80
Operating profit/(loss)	(134.78)	8.24	(124.52)	(713.10)	20.31

Other expenses	261.04	-	0.00	0.00	0.00
Other income	94.41	1979.41	4.54	(42.96)	7.96
Financial charges	69.76	61.04	43.32	(39.52)	71.63
Loss for the year before tax	(371.18)	127.30	(163.30)	276.61	43.36
Taxation	4.23	3423.33	0.12	(96.43)	3.36
Loss after taxation	(366.95)	124.54	(163.42)	249.79	46.72

(Source: Annual Audited Accounts 2021-22)

During the year the sales of the company was decreased by 79.03% to Rs 78.19 million in 2021-22 from Rs 372.93 million in 2020-21, whereas, the Cost of Sales was decreased by 66.34% to Rs 144.26 million in 2021-22 from Rs 428.55 million in 2020-21. The decrease in sales resulted in gross loss of Rs 66.06 million to the company in 2021-22 (2020-21 – Rs 55.62 million) and the accumulated loss increased by 37% to Rs 1,213.81 million as on June 30, 2022 (2020-21 – Rs 883.058 million). These conditions, along with other matters as set forth in accounts indicate that the material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern, which required explanation.

9.8.2.3 Administrative expenses increased by 3.57% to Rs 59.79 million in 2021-22 (2020-21- Rs 57.73 million). The increase in Administrative Expenses in circumstances when sales decrease by 79.03% showed inefficient utilization of available resources and lack of control over administrative expenditures which needs justification.

9.8.2.4 The company's net loss increased by 124.54% to Rs 366.95 million in 2021-22 (2020-21 – Rs 163.42 million). The reason(s) for such continuous losses was management's inefficient operational activities. Efforts are required be made to increase the sale and rationalize the operational activities to make the corporation a viable and self-sustaining unit in the years to come.

9.8.2.5 Trade Debts decreased by 64% to Rs 106.416 million in 2021-22 from Rs 296.906 million in 2020-21. The provision for doubtful debts amounting to Rs 32.609 million appearing in previous year was written off during the year under review. Position needs clarification with regard to party wise detail of write off amount, reasons for non-recovery, in-house inquiry, if any, prior to written off approval etc.

9.8.2.6 Other Expenses of Rs 261.041 million are appearing in profit & loss account for the year 2021-22 (2020-21 – Rs Nil). The expenses included bad debts of Rs 181.789 million and loss on bank guarantee Rs 79.252 million. Both the figures related to late delivery charges and encashment

of bank guarantees by the customers due to non-completion of orders. Position needs clarification with reference to the reasons under which the orders were not completed or delayed completed.

9.8.2.7 The External Auditors issued qualified opinion on the accounts of the Board during the year under review on the basis of following points:

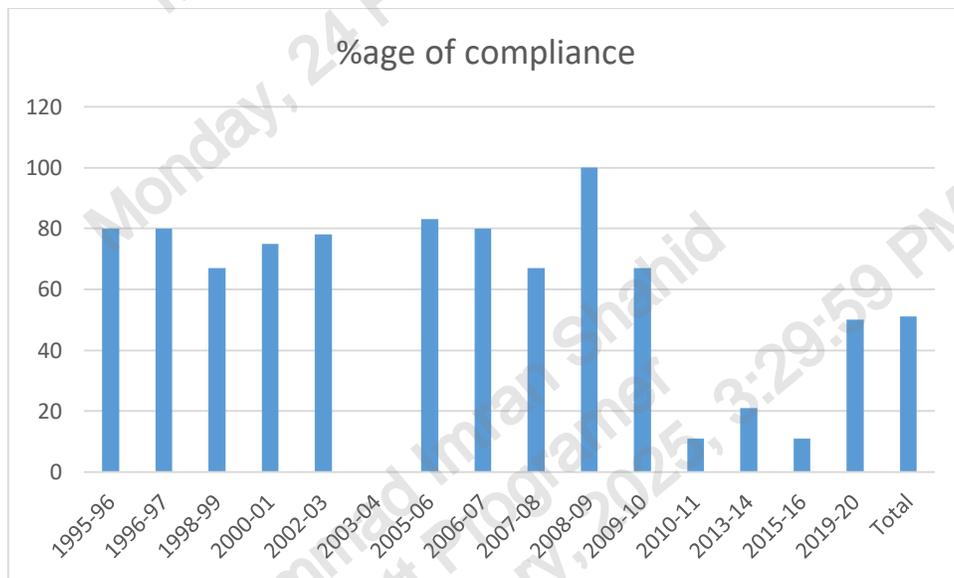
- i. According to IAS 36 'Impairment of Assets' an entity should assess at each reporting period whether there is any indication that an asset may be impaired, and for an intangible asset not available for use impairment assessment should be done an impairment assessment for its plant and machinery and intangibles that are not yet available for use, despite the company incurring losses for several years. The impact of impairment of plant and machinery and intangibles is material to the Financial Statements and it cannot be quantified.
- ii. The company has recorded provision for gratuity as per management estimate instead of actuarial valuation as per requirements of IAS-19 'Employee Benefits'. The management estimate does not account for financial, demographic and other actuarial assumptions for the calculation of the present value of the provision against gratuity. The impact of the difference of provision form actuarial valuation cannot be quantified.
- iii. The External Auditors of the company noted that Company has trade debts amounting to Rs 106.416 million as at year ending 2022. The Company considered all its receivables as good and has not assessed any expected credit loss against these receivables which is in contravention of the requirements of International Financial Reporting Standards (IFRSs). The impact of expected credit loss or the receivable balance is material and cannot be quantified.

The management is stressed for early removal of said qualifications.

9.8.3 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
2008-09	06	06	0	NIL	100
2009-10	03	02	01	132	67
2010-11	09	01	08	11.11.1, 11.11.2.1, 11.11.2.2, 11.11.2.3, 11.11.2.5, 11.11.2.6, 11.11.3, 11.11.4.1	11
2013-14	14	03	11	8.19.1, 8.19.2.1, 8.19.2.2, 8.19.2.3, 8.19.2.4, 8.19.2.5, 8.19.2.6, 8.19.2.7, 8.19.4.1, 8.19.4.3, 8.19.4.5	21
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
2019-20	04	02	02	7.14.2.2, 7.14.3	50
Total	90	46	44		51



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

9.9 National Fertilizer Marketing Limited

9.9.1 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.

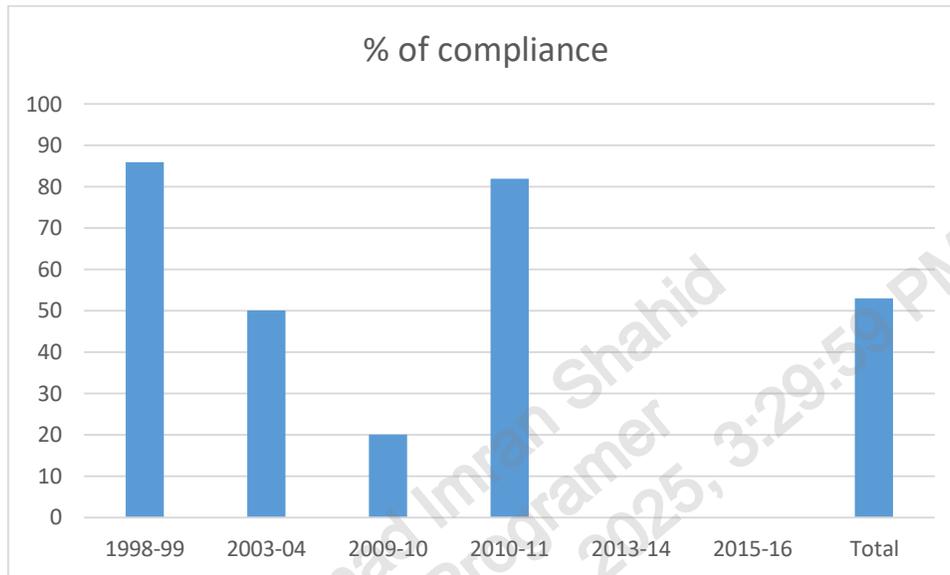
9.9.2 Comments on Audited Accounts

9.9.2.1 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 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the years 2018-19 to 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

9.9.3 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.

9.9.4 Audit Paras

9.9.4.1 Loss due to incurring excess incidental charges - Rs 173.845 million

According to Ministry of Industries and Production letter dated March 17, 2022, stock handling, warehousing and labor charges (incidental charges) approved by ECC were Rs 92 per bag.

During audit of NFML for the years 2019-23, it was observed that the management incurred Rs 357.845 million at the rate of Rs 178.57 per bag on account of incidental charges i.e. stock handling, warehousing and labor charges during 2021-22. Whereas, incidental charges approved by ECC was Rs 184.00 million at the rate of Rs 92 per bag. This resulted into excess cost of Rs 173.845 million (Rs 357.845 million - Rs 184 million). The management failed to complete the task of stock handling, warehousing and sale of urea within the approved cost which resulted into loss to the company.

Due to weak internal controls and financial management, the extra cost was incurred on account of incidental charges.

Audit is of the view that the management did not complete the said task within approved cost.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends the management to state the reason(s) of incurring excess incidental charges than the approved rate of incidental charges by ECC.

9.9.4.2 Irregular award of tally, labor and security contracts to various contactors - Rs 68.983 million

According to tender documents the prospective bidder who has been black listed, shall not be eligible to participate in contract process, either individually or as a member of other bidding company.

Moreover, according to clause I of tender documents for hiring of labor and security services, it is mandatory for bidder to have NTN registration not later than January 01, 2018 and minimum turnover of Rs 1.00 million as declared in FBR in last two financial years. Further, according to clause 38(2) (viii) of Public Procurement Rules 2021, the lowest evaluated bidder shall be awarded the contract.

During audit of National Fertilizer Marketing Limited (NFML) for the years 2019-23, it was observed that the management awarded tally, labor and security contracts for in-transit urea and bulk stores to various contractors. The contracts were awarded in violation of tender documents and PPRA rules. Hence, the award of such contract was irregular. The detail is as under:

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Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

(Rs in million)

Description of contract	Name of contractor	Violation of criteria	Deficiency	Contract award date	Amount
Labor and security contracts at bulk stores	M/s Abdul Qadeer	Tender Documents	Black listed	January 19, 2022	10.736
Labor and security contracts at bulk stores	M/s Zahir Shah & Brothers	Clause-I of Tender Documents	NTN and STN registration	January 2022	30.403
	M/s Muhammad Fahad			January 2022	24.859
Tally services contract	M/s M.A.M Company	Clause 38(2) (viii)	Award of contract to second lowest bidder	December 10, 2021	2.985
	Total				68.983

Due to non-observance of provisions of the tender documents and PPRA rules, the award of tally, labor and security contracts for in-transit urea and bulk stores was irregular.

Audit is of the view that the management was required to comply with the terms of the conditions of the tender documents and PPRA rules in letter and spirit.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends the management to explain the reason(s) of awarding contracts to various contractors in violation of tender documents and PPRA rules.

9.9.4.3 Irregular hiring of labor, tally and in transit security services - Rs 30.950 million

According to rule 42 (C) (IV) of Public Procurement Rules amended up-to June 2021, repeat orders should not exceed fifteen per cent of the original procurement.

During audit of NFML, Lahore for the years 2019-23, it was observed that the management opened tender for hiring of labor, tally and in transit security services on February 18, 2022 for Wazir Mansion, Karachi and Bin Qasim ports. The contract was awarded to M/s M.A.M & Co. single participating firm. The initial period of the contract was six months i.e. February 21, 2022 to August 20, 2022. On expiry of the period, the contract period was extended for further six months twice i.e. from August 21, 2022 to

February 20, 2023 and February 21, 2023 to August 20, 2023 in violation of public procurement rules. This resulted into repeat order of more than 15% which was irregular.

Due to weak internal controls, repeat order of above 15% was placed.

Audit is of the view that the management should have not place the repeat order beyond 15%. This resulted into violation of public procurement rules.

The matter was reported to the management but no reply was received.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to explain the reason(s) of placing repeat order of beyond limit of 15% and inquire the matter besides fixing the responsibility on person(s) at fault.

9.9.4.4 Non recovery of cost of urea from cartage contractor due to shortage of bags during transit - Rs 3.198 million

According to clause 18 of cartage agreement with NLC dated September 01, 2022, in case the consignment is not delivered to the designated consignee within 15 days of the dispatch of the fertilizer then on 16th day of the dispatch of fertilizer the cartage contractor will be liable to pay to the company the full value thereof at TCP import price of the fertilizer.

During audit of NFML for the years 2019-23, it was observed that the management awarded cartage contract to National Logistic Cell (NLC) for dispatch of imported urea from Karachi Port Trust, Bin Qasim and Gawadar Ports to various NFML bulk stores. During dispatch of urea in 2022-23, total 420 bags of imported urea having value of Rs 3.198 million were missing during transit to various bulk stores. The management recovered only freight charges of urea whereas the full value of missing urea bags at Trading Corporation of Pakistan (TCP) import price remained unrecovered. The detail is given at Annex-72.

Due to non-observance of provision of cartage contract, full value of missing urea bags at TCP import price was not recovered from M/s NLC.

Audit is of the view that the management was required to recover the full value of missing urea bags at TCP import price but the same was not done.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends the management to explain the reason(s) of non-recovery of full value of urea bags from NLC and enquire the matter besides fixing the responsibility on person(s) at fault.

9.9.4.5 Loss due to excess delivery of 400 urea bags to dealers - Rs 2.968 million

According to NFML letter dated February 02, 2015, the respective Regional Managers shall supervise and monitor the operations of all bulk and temporary stores within their jurisdiction. The quantity, security and safety of stocks shall be ensured.

During audit of NFML for the years 2019-23, it was observed that the management dispatched 1,300 urea bags to M/s Shaheen Shah Fertilizers from its temporary store named "Zulfiqar godown" against booked quantity of 1,200 bags. Furthermore, 2,900 urea bags were dispatched to Sind Fertilizer Agency

against booked quantity of 2,600 urea bags from the same temporary store. This resulted into excess delivery of 400 urea bags amounting to Rs 2.968 million (400 bags*Rs 7420.47 = Rs 6800 import price per bag + Rs 620.47 incidental charges per bag) which was not recovered from the dealers. The inquiry committee in its findings dated July 04, 2023 established that excess urea was dispatched and recommended to recover the cost of urea from the concerned. But the same could not be recovered and resulted into loss to the company.

Due to weak internal controls and mishandling of stock, the excess quantity of urea was dispatched to the dealers and amount remained unrecovered.

Audit is of the view that the management was required to ensure that the quantity of urea was being dispatched as per order booking slip and transfer note.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends the management to explain the reasons of dispatching excess urea and non-recovery of the urea cost from the concerned.

9.9.4.6 Irregular appointment of external auditors without concurrence of Auditor-General of Pakistan - Rs 2.864 million

According to Finance Division dated March 25, 1981 and Auditor-General of Pakistan's office letter dated October 21, 2021 and subsequent letter dated October 17, 2022, in case of appointment of Chartered Accountant Firms by autonomous bodies, the concurrence from office of AGP for the same was required to be obtained by the autonomous bodies.

During audit of NFML for the years 2019-23, it was observed that the management hired the services of M/s Kreston Haider Bhimji & Co. Chartered Accountants to conduct audit for the period 2019-20 to 2022-23 without concurrence of Auditor-General of Pakistan. Thus, the payment of audit fee amounting to Rs 2.864 million was held irregular.

Non-observance of instructions of F.D and AGP was the cause of irregularity.

Audit is of the view that external audit firm was required to be hired after obtaining concurrence from Auditor-General of Pakistan.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends the management to take appropriate action to get ex-post facto approval from AGP, Islamabad.

9.9.4.7 Non-recovery of shortage of urea Rs 28.212 million

According to clause 21.1.5 and 21.1.6 of NFML Management Manual, punishment for misconduct and breach of discipline includes dismissal from service and recovery will be made from salary if any loss or damage sustained by the corporation by reasons of negligence or misconduct.

During audit of NFML for the years 2019-2023, it was observed that Mr. Muhammad Faisal Chaudhary, Assistant Manager during his posting as store incharge at Nowshera Virkan involved in shortage of 14,813 bags of urea having value of Rs 28.212 million. On January 29, 2015 an inquiry committee mentioned in its findings that Mr. Faisal Chaudhary was responsible for shortage of 14,813 bags of urea. No recovery of shortage of urea was made till date.

Due to weak internal controls, recovery was not effected from the said employee.

Audit is of the view that the management was required to recover the amount from the concerned employee in light of findings of enquiry committee.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends the management to explain the reasons(s) for non-recovery of the shortage of urea amount.

9.9.4.8 Loss due to dispatch of urea through NLC instead of Pakistan Railway - Rs 2,259.172 million

According to Pakistan Railways Divisional Office, Karachi Letter No. 03-Rates/FBU/OC/2022 dated August 30, 2022, the freight rates for transportation of fertilizer to all bulk stores of NFML were offered as follow:

From	To	Special reduced rate per ton
Karachi Port Trust (KPT)	Eminabad	Rs 4,415
	Jhang	Rs 3,735
	Lodhran	Rs 3,190
Wazir Mansion (WM)	Kissan	Rs 3,945
Port Muhammad Bin Qasim (PMBQ)	Risalpur	Rs 5,670
	Shahdad Pur	Rs 1,745

During audit of NFML for the years 2019-23, it was observed that the management dispatched 331,228 metric ton urea through NLC to six permanent bulk stores. Freight cost charged by NLC was Rs 3,566.847 million. These six permanent bulk stores were situated on Pakistan Railways track. If 331,228 metric ton urea would have been dispatched through Pakistan Railways, it would have cost Rs 1,307.674 million. Thus, dispatch of urea through NLC resulted into loss of Rs 2,259.172 million (Rs 3,566.847 million - Rs 1,307.674 million) to government exchequer.

Due to weak internal controls and financial management, urea was dispatched through costly contractor instead of Pakistan Railways.

Audit is of the view that the management was required to dispatch urea through Pakistan Railways instead of NLC to avoid extra cost.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends the management to explain the reason(s) for non-dispatching the urea through Pakistan Railways besides fixing the responsibility on person(s) at fault.

9.9.4.9 Irregular excess award of urea beyond allocated quota - Rs 33.600 million

According to para 3 of NFML letter dated November 03, 2022 and December 29, 2022, it is strictly directed that the dealer booking should not exceed the maximum limit as mentioned in these letters. In case of deviation of the orders strict disciplinary action will be taken.

During audit of NFML for the years 2019-2023, it was observed that the management notified quota for 200,000 M. ton and 194,000 M. ton urea to districts and dealers on November 03, 2022 and December 29, 2022 respectively. Scrutiny of the record revealed that the management booked and awarded 717.95 M. Ton Urea having value of Rs 33.600 million, to certain districts and dealers beyond allocated quota. The detail is given at Annex-73.

Due to weak internal controls, excess urea was awarded beyond the approved quota.

Audit is of the view that the management was required to award urea as per approved quota but the same was not done.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends investigating the matter and fixing responsibility.

9.9.4.10 Non-recovery of differential price from trade dealers - Rs 19.287 million

According to NFML letter dated January 30, 2023 it was directed to collect the differential amount against the booking of imported urea.

During audit of NFML for the years 2019-2023, it was observed that the management issued 5,075.50 M. Ton urea out of 194,500 M. Ton in January 2023 at old price of Rs 2,150 per bag to dealers. During the process of urea issuance to dealers, the ECC notified new price of Rs 2,340 per bag but the management did not consider it and kept on dispatching the urea at old price. Later on, it was decided to collect the differential amount of Rs 190 per bag (Rs 2,340 – Rs 2,150) from the dealers. The total differential amount was Rs 19.287 million (5,075.50 M. Ton * 20 bags per M. ton * Rs 190) which remained unrecovered.

Due to weak internal controls, the stock was sold at old price and the differential amount remained unrecovered from the dealers.

Audit is of the view that the management was required to sell the new stock at new price or the differential amount was to be recovered.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends the management to recover the differential amount from the concerned dealers/agencies.

9.9.4.11 Irregular sale of urea on credit - Rs 27.641 million

According to clause-6(iv) of agreement between dealers and NFML, for supplies lifted by dealer from company's warehouse, the dealer will pay in advance the value of the supplies by demand draft or pay order in favor of the company on a scheduled bank approved for this purpose by the company and send such demand draft or pay order to the company.

During audit of NFML for the years 2019-23, it was observed that in different regions, urea amounting to Rs 27.641 million was sold on credit till June 30, 2023. Whereas, the amount of supplies was not paid in advance by the dealers in the form of demand draft or pay order in violation of agreement. Resultantly, the management extended undue favor to certain contractors.

Due to weak internal controls, urea was sold on credit and amount was not recovered.

Audit is of the view that the management was required to take the advance payment from the dealers before delivery of urea but the same was not done.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends investigating the matter and fixing responsibility on person(s) at fault.

9.9.4.12 Irregular award of dealership without eligibility criteria – Rs 102.950 million

According to dealership policy, criteria for award of new dealership was to required photocopy of valid registration/dealership certificate of at least one fertilizer company other than NFML, minimum of 02 years of experience in buying/selling of fertilizers of any one or more fertilizer company and license of registration for Dealer/Vendor of fertilizer issued by the Agriculture Department of his province.

During audit of NFML for the years 2019-23, it was observed that the management awarded dealership and sold huge quantity of urea bags valuing Rs 102.950 million to various agency holders who did not fulfill the dealership eligibility criteria. The agency holders neither provided the experience certificate in buying/ selling of fertilizers' company other than NFML nor furnished the license from Provincial Agriculture Department. In the absence of above said record, award of dealership and supply of urea bags amounting to Rs 102.950 million to the dealers was held irregular. The detail is given at Annex-74.

Due to non-fulfilling the eligibility criteria, award of dealership was irregular.

Audit is of the view that the management was required to award dealership in line with the approved dealership award criteria after fulfillment of all the requirements.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends investigating the matter and fixing responsibility on the person (s) at fault.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

9.10 Pakistan Engineering Company Limited

9.10.1 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.

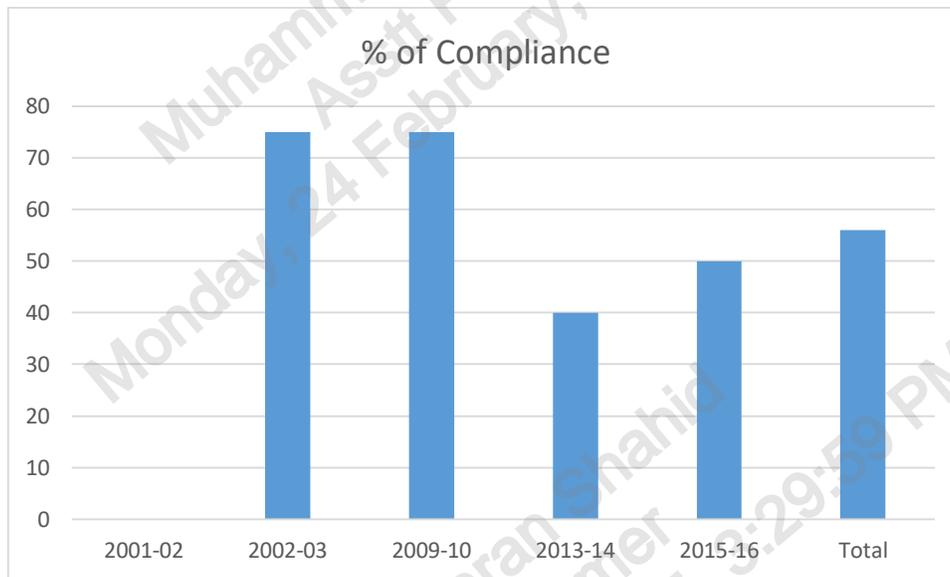
9.10.2 Comments on Audited Accounts

9.10.2.1 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 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts of 2017-18 to 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

9.10.3 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



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

9.10.4 Audit Paras

9.10.4.1 Unjustified payment to M/s Sufi Steel Industries – Rs 499.501 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 PECO for the year 2019-23, it was observed that a sum of Rs 499.501 million was paid to M/s Sufi Steel Industries (Pvt.) Ltd during the period August, 2019 to March, 2022 without documentary evidence i.e. contract & purchase order. Moreover, SECP conducted inquiry regarding affairs of PECO being an enlisted company and concluded that transactions between PECO and M/s Sufi Steel Industries (Pvt.) Ltd were unjustified as its owner who made a Joint venture agreement with PECO in the name of M/s Synectics Corporation was same. This indicated that PECO transferred amount of Rs 499.501 million into JV account.

Weak internal controls and non-observance rules resulted in unjustified payment.

Audit is of the view that the management was required not to make payments to M/s Sufi Steel Industries (Pvt.) Ltd without agreement.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to inquire the matter of unjustified payment and fix responsibility on the person(s) held responsible besides recovery of amount.

9.10.4.2 Default due to non-repayment of loan to National Bank of Pakistan (NBP) – Rs 111.195 million

According to clause 26th of Memorandum of Association of PECO, the objective of the company was to give any guarantee in relation to the payment of any loan, debentures, stocks, bonds, obligations or securities and to guarantee the payment of interest thereon or of dividends of any stocks or shares of any company.

During audit of PECO for the years 2019-23, it was observed that an agreement with National Bank of Pakistan was signed for availing running finance facility of Rs 108.351 million on March 31, 2015. This facility was available for five years. The management failed to repay the installment of running finance facility. Consequently, NBP filed a suit in Banking Court for recovery of loan along with interest. Banking Court decided to pay an amount of Rs 111.195 million. It was further revealed that due to nonpayment of loan PECO was declared as defaulter.

Poor financial management was the cause of non-payment of loan amount.

Audit is of the view that the management was required to pay loan timely in order to avoid default.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to inquire the matter and fix responsibility on the person(s) held responsible.

9.10.4.3 Irregular payments made in cash to different parties – Rs 53.414 million

According to clause 21(1) (Division II) of Income Tax Ordinance, 2001, no deduction shall be allowed in computing the income of a person under the head income from business for any expenditure for a transaction, paid or payable under a single account head which, in aggregate exceeds two hundred and fifty thousand rupees, made other than by a crossed cheques drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of amount from the business bank account of the taxpayer.

During audit of PECO for the years 2019-23, it was observed that the management made payments of Rs 53.414 million under various heads in cash to different parties under various head in cash rather than through cross cheques in violation of Federal Board of Revenue Rules. Thus, the payments of Rs 53.414 million were considered irregular.

Due to weak financial controls, irregular payments were made.

Audit is of the view that the management was required to make payments through cross cheques instead of making cash payments.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to inquire the matter and fix responsibility on the person(s) held responsible besides regularization of amount.

9.10.4.4 Irregular composition of the BoD and receipt of loan – Rs 26.798 million

According to rule 5(5)(b)(i) of Corporate Governance Rules 2013, the directors and executives of a Public Sector Company do not allow a conflict of interest to undermine their objectivity in any of their activities, both professional and private and that they do not use their position in the Public Sector Company to further their private gains in a social or business relationship outside the Public Sector Company.

During audit of PECO for the years 2019-23, it was observed that a loan of Rs 26.798 million was obtained from M/s Arif Habib and M/s Rotocast Engineering during the period from March, 2019 to September, 2022. The approval of loan was granted by the Board of Directors that included the owners of the said companies. The loan amount was booked as legal and professional expenses, annual listing fee and salary of employees. Thus, due to conflict of interest of the members of BoD, loan amount was held irregular. The detail of loan is as under:

Description	Loan amount (Rs in million)
M/s Arif Habib Group	12.971
M/s Rotocast Engineering	13.827
Total:-	26.798

Due to weak administrative controls, company obtained loan from the members of BoD.

Audit is of the view that management was required to observe the CGRs in letter and spirit.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to inquire and refer the matter to SECP for appropriate decision.

9.10.4.5 Excess payment of salary to Ex-Managing Director – Rs 18.199 million

According to Agenda 2 Item No.02 of 185th Board of Directors meeting held on April 27, 2016, Board approved remuneration of Managing Director for Rs 385,000 per month. Further, according to clause i & ii of Finance Division Letter dated July 19, 2022 regarding grant of executive allowance to BS-17-22 Officers, this allowance will be admissible to all officers posted by the Establishment Division against sanctioned posts.

During the audit of Pakistan Engineering Company (PECO) for the years 2019-23, it was observed that Ex-Managing Director drawn salary more than that approved by the Board of Directors. He was paid Rs 601,720 instead of Rs 385,000 per month during the period of March, 2016 to August, 2022 and resultantly excess payment of Rs 16.904 million (Rs 216,720 x 78 months) was made. Further, an amount of Rs 0.535 million on account of executive allowance for the month of July & August 2022 and an amount Rs 0.760 million (Rs 9,750 x 78 months) as subscription fee to M/s Royal Palm was also made. Thus, the management paid excess salary and allowances of Rs 18.199 million (Rs 16.904 + Rs 0.535 + Rs 0.760 million).

Due to weak financial controls, excess payments was made.

Audit is of the view that the management was required to follow the Finance Division's instructions to avoid irregular payment.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to inquire the matter and fix responsibility on the person(s) held responsible beside recovery of irregular payment.

9.10.4.6 Irregular sale of scrap in violation of company's rules – Rs 75.968 million

According to PECO sales policy, disposal of scrap, the Board of Director will constitute a disposal committee to approve sale of machinery and scrap. After approval by the committee tender will be issued in two leading newspapers.

During the audit of PECO for the years 2019-23, it was observed that scrap valuing Rs 75.968 million was sold to various buyers during March 2021 to July 2021. It was noted that management neither constituted disposal committee to assess the condition of disposed items nor adopted competitive process in violation of company rules. Thus, sale of scrap of Rs 75.968 million was held irregular in audit.

Non observance of company's rules resulted into irregular sale of scrap.

Audit is of the view that the management was required to sell scrap after approval of disposal committee.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to enquire the matter and fix responsibility on the person(s) held responsible.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 7.20.4.10 having financial impact of Rs 8.976 million. Recurrence of same irregularity is a matter of serious concern.

9.10.4.7 Loss due to non-collection of advance Income Tax on auction – Rs 7.597 million

According to clause-236A of Income Tax Ordinance, 2001, any person making sale by public auction or auction by tender or any property of goods either belonging to or not belonging to the Government, local Government, any authority, a company shall collect advance tax computed on the basis

of sale price of such property and at the rate of 10% from the person to whom such property or goods are being sold.

During audit of PECO for the years 2019-23, it was observed that the management sold scrap of Rs 75.597 million to various buyers during March, 2021 to July, 2021. The advance tax from the buyers was not collected by the management. Thus, due to non-collection of advance tax, the Government suffered loss of Rs 7.597 million (Rs 75.597 million x 10%).

Due to weak managerial controls, public exchequer was deprived of tax amount.

Audit is of the view that the management was required to follow Government directions in order to collect advance tax.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to enquire the matter and fix responsibility on the person(s) held responsible.

9.10.4.8 Non-receipt of rent amount of office building – Rs 5.735 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 PECO for the years 2019-23, it was observed that the management rented out an office building to M/s United Bank Limited (UBL) situated in Uni-Tower Karachi @ Rs 127,862 per month. The tenant was not paying rent of Rs 5.735 million since November, 2020. Thus, due to non-efforts the rent valuing Rs 5.735 million (Rs 127,862 x 38 months = 4.858 million + Rs 0.877 million) remained unrecovered.

Audit is of the view that the management was required to make efforts for early recovery of rent.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to enquire the matter and fix responsibility on the person(s) at fault besides recovery of rent.

9.10.4.9 Irregular hiring of freight services in violation of PPRA Rules – Rs 3.128 million

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

During audit of PECO for the years 2019-23, it was observed that freight services contract was awarded to M/s Abbas Goods Transport Company, Lahore and made payments of Rs 3.128 million without

tender process. Thus, hiring of services and payments of Rs 3.128 million was held irregular. Detail is as under:

Sr. No.	Name of Freight Agency	Date of Payment	Payment (Rs)
1	Abbas Goods Transport Company, Lahore	31.05.2019	1.422
2	-do-	30.04.2019	0.948
3	-do-	31.07.2019	0.497
4	-do-	13.05.2019	0.261
Total:-			3.128

Dun to non-observance of PPRA rules, irregularity was occurred.

Audit is of the view that the management was required to hire the services as devised in PPRA Rules but the same was not adhered to.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to inquire the matter and fix responsibility on the person(s) at fault besides regularization.

9.10.4.10 Irregular appointment of CFO and CIA – Rs 2.55 million

According to clause-2(ii) of PECO Employment Policy and Procedure, position of Chief Financial Officer and Head of Internal Audit shall be filled with approval of Board of Directors.

During the audit of PECO for the year 2019-23, it was observed that Mr. Ali Ahmad Qureshi and Mr. Muhammad Ali were appointed as Chief Financial Officer and Chief Internal Auditor at monthly salary of Rs 150,000 & Rs 100,000 respectively on October 2018. It was noted that the appointment of these officers was made without approval of Board of Directors. Thus, the appointment and payment of salary of Rs 2.550 million to them was held irregular in Audit as detailed below:

Name	Designation	Date of appointment	Monthly Salary (Rs)	Total Payment (Rs)
Mr. Ali Ahmad Qureshi	Chief Financial Officer	October 24, 2018	150,000	1,650,000
Mr. Muhammad Ali	Chief Internal Auditor	October 26, 2018	100,000	900,000
Total:-				2,550,000

Non observance of employment policy resulted irregular appointment.

Audit is of the view that the management should recruit the officers with the approval of Board of Directors.

The matter was reported to the management but no reply was received.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommend to inquire the matter and fix responsibility on the person(s) at fault. Besides, the matter be got regularized from the BOD.

**9.10.4.11 Irregular appointment of Manager Accounts and Finance –
Rs 1.890 million**

According to clause-2(ii) of PECO Employment Policy and Procedure, in case of supervisors and workers, the appointment shall be made on the basis of merit and according to the company's requirement.

During audit of PECO for the years 2019-23, it was observed that the management appointed Mian Aamir Raza as Manager Accounts & Finance on October 01, 2021 at Rs 70,000 per month. Further, the appointment letter was signed by Brigadier (R) Abdul Majeed who was not employee of PECO. The said person was representative of joint venture firm i.e. M/s Synectics Corporation. The officer of joint venture firm was not authorized to appoint an employee on behalf of PECO. Thus, the appointment and payment of salary of Rs 1.890 million was held irregular. Detail is as under:

Name	Designation	Period of Stay	Monthly Salary	Total Payment
Mian Aamir Raza	Manager Accounts & Finance	Oct 21 to Dec 23	70,000	1,890,000

Weak internal controls resulted into irregular appointment and payment of salary.

Audit is of the view that the management was required to make appointment through authorized person on merit.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends investigating the matter and fixing responsibility on the person(s) at fault besides regularization from competent authority.

9.10.4.12 Stoppage of operational activities due to management failure

According to Rule-4(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, The directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of PECO for the years 2019-23, it was observed that the Company was established in February 15, 1950 for manufacturing and sale of engineering products. The company earned Rs 1,424.45 million from its operational activities as on June 30, 2018. Afterwards, due to management dispute between public sector and private sector Board of Directors, the operational activities remained slow and were subsequently stopped completely as on November 2020. The Managing Director terminated the key employees and made joint venture agreement with M/s Synectic Corporation to continue the operational activities but all in-vain.

Weak managerial controls caused stoppage of operational activities of the company.

Audit is of the view that the management was required to manage business activities to achieve its objectives at optimal level.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to inquire the matter and determine loss by fixing responsibility besides its recovery.

9.11 Pakistan Hunting and Sporting Arms Development Company

9.11.1 Introduction

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

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

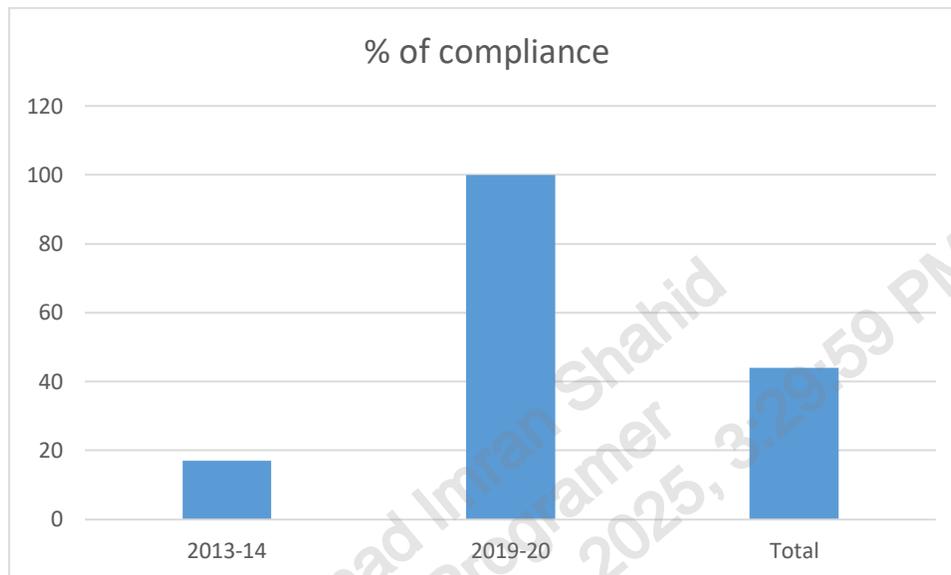
9.11.2 Comments on Audited Accounts

9.11.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the years 2019-20 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts of 2019-20 to 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

9.11.3 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
2019-20	03	03	0	-	100
Total	09	04	05		44



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

9.11.4 Audit Paras

9.11.4.1 Non-viability of PHSADC due to failure of business plan even after utilization of heaviest funds of - Rs 86.57 million

According to Board of Directors of Pakistan Industrial Development Corporation (PIDC, a parent Company) in its 118th meeting held on October 14, 2017 approved a Business Plan amounting to Rs 148.32 million for making the PHSDAC self-reliant & sustainable.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that PIDC in its 118th BOD meeting held on October 14, 2017 approved a Business Plan of the Company valuing Rs 148.32 million to make it self-reliant and sustainable. Business Plan consists of five major sources of revenue i.e. Common Facility Training Center (CFTC), Small Industrial Estate (SIE) at Dara Adam Khel, Toss Show, Export Orders and Import Substitute. An amount of Rs 86.57 million was utilized out of which Rs 46.641 million were utilized for procurement of machinery & tools and remaining amount was utilized for operational & administrative expenditure. Failure status in revenue generation from five sources of Business Plan is as under:

1. CFTC could not be established but the management procured machinery & tools valuing Rs 46.641 million earlier and placed in CFTC Peshawar.
2. Management could not purchase land for establishment of SIE in Dara Adam Khel.
3. Management failed to arrange Toss Shows during the last three years.
4. Management failed to achieve a single export order during the last three years.
5. During verification of record, the management failed to provide any evidence of import substitute.

In view of above, it was clear that Business Plan of PHSDAC had been completely failed because nil revenue could be generated from its five sources.

The failure of PC-1 and Business Plan showed weak internal and financial control of the Company.

The management in its response stated that PIDC established an "Institutional Support Fund" to assist subsidiaries. From these funds PHSDAC received Rs 86.57 million. However, delays in projects like the Dara Adam Khel Industrial Estate and COVID-19 restrictions hampered revenue generation. Export orders worth Rs 132.741 million remained unfulfilled due to NOC issues from Ministry of Defence despite directives from PAC.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends investigation of failure of Business Plan at Ministry level beside fixing responsibility on the person (s) at fault.

Para-2 (PHSADC – 2019-22)

9.11.4.2 Release of huge funds by PIDC against defective business plan - Rs 86.57 million and purchase of machinery before establishment of CFTC in SIE at DARRA ADAM KHEL - Rs 46.641 million

According to GFR-10 (i) Every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that PIDC Board of Directors in its 118th meeting held on October 14, 2017 approved a Business Plan of PHSDAC valuing Rs 148.32 million to make the Company self-reliant & sustainable. Audit observed following irregularities in Business Plan:

1. Before the approval of the Business Plan in October 2017, a PC-1 of Rs 66.32 million for establishing a Common Facility Training Centre (CFTC) at Small Industrial Estate (SIE) Peshawar was approved in a meeting held on February 12, 2016. The PC-1 execution period was from 2016-17 to 2018-19, with 15 Machineries & Tools procured worth Rs 38.43 million; however, PC-II, PC-III, and PC-IV were not submitted despite seven years having elapsed.
2. The business plan of PHSADC lacked feasibility study, profit concept, and revenue earning plan, making it deficient for a self-reliant and sustainable operation under Section 42 of the Companies Ordinance, 1984.
3. PIDC and PHSDAC, in a joint meeting on February 11, 2020, advised PHSDAC to create a realistic business plan, indicating that the previously approved plan from October 2017 was flawed.
4. The business plan aimed for revenue from various sources, including a Common Facility Training Center (CFTC) and Small Industrial Estate (SIE) at Dara Adam Khel, but neither were established as planned. Instead, funds were used to purchase machinery for CFTC Peshawar, causing double expenditure. Difficulties in acquiring land for CFTC in Dara Adam Khel were cited, with procurement of machinery preceding establishment.

5. Business Plan consisted of five major sources of revenue including Common Facility Training Center (CFTC), Small Industrial Estate (SIE) at Dara Adam Khel. Management did not establish SIE and CFTC in Dara Adam Khel but purchased 15 more Machineries & Tools valuing Rs 46.641 million and installed them in CFTC Peshawar instead of CFTC Dara Adam Khel. PHSDAC in its joint meeting with PIDC held on February 11, 2020 briefed the committee that procurement of land to establish CFTC in Dara Adam Khel was very difficult due to unavailability of land. However, CEO of PHSDAC was confident that once the SIE/SEZ is materialized, PHSDAC would be able to get about 5 acres' land through JIRGA. This also showed that machineries were procured before establishment of CFTC in Dara Adam Khel.

In view of above, audit is of the view that PIDC approved the Business Plan of PHSDAC on defective grounds. Further utilization of machineries & tools of CFTC Dara Adam Khel was also held unjustified.

The irregularities were occurred in Business Plan due to weak financial control of the management and lack of interest in utilization of public funds by the PIDC.

The management responded on October 3, 2023, stating that PIDC had established an "Institutional Support Fund" to aid its subsidiaries financially. PHSDAC utilized these funds to initiate its Project CFTC and Business Plan, which had distinct objectives. However, the Business Plan's implementation was hindered by PIDC's incomplete fund allocation, preventing the hiring of necessary staff. The responsibility for acquiring land for the Small Industrial Estate in Dara Adam Khel shifted from FATA Development Authority to SIDB after FATA's dissolution, delaying the establishment of CFTC. The reply was deemed inadequate as it failed to mention the proposed 3-5% surcharge outlined in the Business Plan for PHSDAC's sustainability. Additionally, the Business Plan stated that PHSDAC, not FATA, was obligated to establish the Small Industrial Estate and CFTC in Dara Adam Khel. Further as per Business Plan, PHSDAC was liable to establish Small Industrial Estate and CFTC at Dara Adam Khel instead of FATA.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends investigating matter at ministry level and fixing responsibility.

Para-3 (PHSADC – 2019-22)

9.11.4.3 Loss due to provision of production and repair services below actual cost - Rs 56.959 million

According to 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 the duty of the departmental controlling officer to see all sums due to the Government are regularly and properly realized, assessed and duly credited to the Government account. Further PIDC and PHSDAC in its joint meeting held on February 11, 2020 advice PHSDAC to ensure proper costing of its production and also ensure that the pricing set are the correct level to transition quickly towards profitability.

During the audit of PHSADC Peshawar for 2019-22, it was found that PIDC approved a Business Plan of Rs 148.32 million in 2017 to make PHSDAC self-reliant. However, management failed to implement proper costing procedures as advised by PIDC, leading to inaccurate pricing and significant losses. They neglected to prepare essential cost calculations for each job, resulting in selling products and repair services below actual cost, causing substantial financial losses over the past three years.

The loss occurred by the company on sale of services below actual cost shows weak financial control of the management w.r.t proper costing of each product.

Audit is of the view that the management did not prepare material & labour obstructs, cost cards, prime cost, marginal cost and full cost of each job which leads to non-existence of proper costing system in company resultantly the company sustained loss of Rs 19.368 million w.r.t CFTC cost only and Rs 56.959 million w.r.t PHSDAC & CFTC both cost.

The matter was reported to the management vide letter dated September 18, 2023. The management in its reply dated October 3, 2023 did not inform regarding adoption of proper costing system of each product to evaluate cost of each job. Further 3-5% extra charges on obtaining of each job by the management did not cover the direct cost of CFTC, resultantly PHSDAC sustained loss during last three years.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to investigate the reasons of sold of services below actual cost, fix responsibility on the person (s) at fault and immediately appoint regular Chief Financial Officer (CFO) or engage Chartered Firm (CA) for proper costing of each job.

Para-5 (PHSADC – 2019-22)

9.11.4.4 Loss due to non-deduction of GST of Rs 3.920 million upon un-authorized cash receipt of sales proceeds - Rs 26.134 million

According to serial No. 23 of Government of Khyber Pakhtunkhwa Revenue Authority (Working Tariff as of March-2016) taxable Services as per second Schedule to the Khyber Pakhtunkhwa Finance Act, 2013, "Services provided by workshops for industrial construction and earth- moving or other special purpose machinery levied 15% sale tax". Furthermore, Section 25 of the Sales Tax Act, 1990, requires businesses to keep proper records of their sales and to issue sales tax invoices for all sales transactions. Sales tax invoices must be issued for any sale of goods or services, regardless of the mode of payment. Therefore, if a company receives cash for a sale it must issue a sales tax invoice and deposit the sales tax with the Federal Board of Revenue.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that the management provided different types of services to arms companies i.e. manufacturing & repairing of dies, moulds and punch plates etc. used for manufacturing of hunting arms amounting to Rs 26.134 from 2016-17 to 2021-22 without charging sale tax amounting to Rs 3.920 million (Rs 26.134 million x 15% sale tax). The company also did not issue sales tax invoices as per section 25 of Sales Tax Act, 1990.

Audit is of the view that receiving of sale proceeds in cash increased the risk of mis-appropriation. Further, due to non-deduction of sale tax on provision of services to arms companies, Government exchequer sustained a loss of Rs 3.920 million.

The matter was reported to the management vide letter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that the services provided to cottage industry of small arms was exempt from sale tax. Further CFTC stakeholders obtained services on semi-finished products by paying 3-5% extra service charges, thus sale tax was not applicable. Reply was not tenable because the management failed to produce any exemption certificate from FBR on provision of tax free services. Further PHSDAC was liable to deduct sale taxes on provision of services provided by it.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends investigating the matter of receipt of sale proceeds in cash and non-payment of sales tax into Government treasury beside fixing responsibility.

Para-7 (PHSADC – 2019-22)

9.11.4.5 Failure of PC-1 of CFTC Peshawar resulted into non-achievement of revenue targets - Rs 24.658 million

Pakistan Industrial Development Corporation (PIDC a parent Company) in its meeting held on February 12, 2016 approved revised PC-1 for “Establishment of Common Facility Training Centre at Peshawar” valuing Rs 66.32 million. As per PC-1, revenue targets of Rs 49.762 million w.r.t Barrel making, Powder coating, CNC machining and training fee was set out w.e.f. 2016-17 to 2025-26.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that PC-1 valuing Rs 66.32 million (plant & machinery Rs 42.32 million and operational expenditure Rs 24.00 million) for establishment of CFTC was approved in PIDC Board meeting held on February 12, 2016. As per PC-1, revenue targets of Rs 49.762 million w.r.t Barrel making, Powder coating, CNC machining and training fee were set out for ten years w.e.f. 2016-17 to 2025-26. Record revealed that out of total Rs 66.32 million, the management procured machinery & tool valuing Rs 38.43 million and remaining amount was utilized for operational & administrative expenses. From the record of Job orders executed during the year 2016-17 to 2021-22, it was noticed that the company could only generate revenue of Rs 1.843 million against the targets of Rs 26.499 million which was only 6.95%, this showed that PC-1 of CFTC had been completely failed.

Non-achievement of targets show weak business promotion policy and in-efficiency of the management.

Audit is of the view that the management of PHSDAC could not achieve revenue targets of Rs 24.658 million (Rs 26.501 million – Rs 1.843 million) after lapse of six years which led to failure of PC-1.

The matter was reported to the management vide letter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that due to non-release of remaining operational budget of Rs 13.33

million, the Company could not hire required technical staff for running of machinery even though Company generated revenue of Rs 12.57 million in the year ended 30.6.2021.

Reply was not tenable because the management had hired all staff except the Deputy Manager (Technical) against which Mr. Arshad Mehmood was appointed as Supervisor on May 30, 2017 by creating a new post (not available in PC-1). Further, the management generated revenue of Rs 12.57 million from the business activities other than mentioned in PC-1. Only Rs 1.843 million could be generated in six years against the business activities mentioned in PC-I.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends investigation of non-achievement of revenue targets or defective preparation of PC-1 of CFTC besides fixing of responsibility thereof.

Para-1 (PHSADC – 2019-22)

9.11.4.6 Procurement of raw material and services valuing - Rs 9.658 million from non-tax registered suppliers resulting into non-payment of sales tax to government exchequer - Rs 1.072 million

According to Chapter II (3) Scope of tax of the Sales Tax Act 1990 “Subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him”. Furthermore, according to chapter III (9) scope of tax an allied matters of Khyber Pakhtunkhwa Sales tax on Services Act, 2022 “subject to the provision of this act, there shall be charged, levied, collected and paid a tax on the value of a taxable service at the rate specified in the second schedule.”

During audit of PHSADC Peshawar for the year 2019-22, it was observed from payment vouchers that the management procurement material and services of trade payables, consumables, repair & maintenance, technical services, legal/professional services, advertisement expenses, promotional material and website charges valuing Rs 9.658 million from non-sales tax registered suppliers. The supplier’s vouchers were hand written and not on proper sale tax invoices. Record further revealed that the management did not pay sales tax on procurement of these services and material.

The irregularities were occurred due to weak financial controls of the Company w.r.t compliance of sale tax act.

Audit is of the view that procurement of material and services valuing Rs 9.658 million from non-sales tax registered firms held un-justified and non-payment of sale tax, the Government exchequer sustained a loss of Rs 1.072 million.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that PHSDAC is a non-profit earning organization and being a withholding agent, deducted taxes from all the suppliers / traders and subsequently deposited into Govt. treasury.

Reply was not tenable as the management neither procured objected material and services from sales tax registered firms nor deducted sale taxes.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to investigate the reasons of procurement of material and services from non-sale tax registered suppliers at Ministry level beside fixing responsibilities on the person (s) held responsible and corrective measures be taken under intimation to Audit.

Para-6 (PHSADC – 2019-22)

9.11.4.7 Loss due to free of cost provision of trainings - Rs 7.887 million

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 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. To achieve the primary objects of the company, PHSADC established Common Facility Training Centre (CFTC) at Peshawar in 2016. As per PC-1 of CFTC, the CFTC will provide developing services and trainings in the field of hunting & sporting arms at cost/fee.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that PC-1 for establishment of Common Facility Training Centre (CFTC) was approved in PIDC (parent department) Board meeting held on February 12, 2016. One of the source of revenue of CFTC was provision of different types of trainings in the field of hunting & sporting arms at cost/fee. Record revealed that the management provided technical trainings on CNC & Conventional Machines in CFTC free of cost.

Audit is of the view that CFTC was established to provide different types of trainings in the field of hunting & sporting arms at cost/fee but the management provided trainings free of cost due to which the Company sustained loss of Rs 7.887 million.

The matter was reported to the management vide letter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that trainings were provided to the students of technical institutes and engineering universities. Reply was not tenable because CFTC was established to provide different types of trainings in the field of hunting & sporting arms at cost/fee.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to investigate the reasons of free of cost provision of trainings in CFTC and fix responsibility on the person(s) at fault.

Para-12 (PHSADC – 2019-22)

9.11.4.8 Irregular appointment of legal advisor - Rs 2.486 million

According to Rule-14(1)(g) of rules of Business 1973, the Law, Justice and Human Rights Division shall be consulted before the appointment of a legal Advisor in any division, or any Office or Corporation under the control of Federal Govt. Further according to circular dated November 11, 2003 issued by Law, Justice & Human Rights Division prior approval of Division is required for the appointment of Legal Advisor, and violation will be constituted as an act of misconduct. According to rule 20 of PP RA Rules, 2004, "Save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding

as the principal method of procurement for the procurement of goods, services and works”. 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 PHSADC Peshawar for the year 2019-22, it was observed that the management of the Company hired the services of Mr. Bilal Durrani advocate without any concurrence from the Ministry of Law, Justice and human Rights in respect of the appointments / engagements of advocates / counsels on its panel. It was also noticed that no competitive method such as advertisement, selection criteria, past experience and knowledge of company on specific issues etc. was considered before hiring the legal advisor. The selection was made on the basis of hand collected CV, thus held irregular. Record further revealed that the Company hired the services of legal advisor on monthly retainer ship fee but the Company had no any court case since last nine years, thus the payment of Rs 2.486 million made to legal advisor on account of retainer ship fee was held un-justified.

The irregularity was occurred due to weak internal and financial controls of the company.

Audit is of the view that undue favor was extended to the advocate as no selection process was adopted, no consultation was made with Ministry of Law, Justice and Human Rights and retainer ship fee was paid on monthly basis against nil court cases, hence the payment of Rs2.486 was held irregular and un-justified.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that legal advisor was appointed as per company act.

Reply of the management was not tenable because PHSDAC has not any legal case since last nine years. Further legal advisor could not be changed even after lapse of nine years. Moreover, legal advisor was not appointed by adopting PPRA.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to explain reasons for engagement of the advocate without any competition and concurrence of the Ministry of Law, Justice and human Rights and fix responsibility thereof.

Para-14 (PHSADC – 2019-22)

9.11.4.9 Un-authorized payment to the employees of PHSDAC from trainings budget of NAVTTC - Rs 2.457 million

According to PC-1 for “Establishment of Common Facility Training Centre (CFTC) at Peshawar” approved by Pakistan Industrial Development Corporation (PIDC, a parent company) on 12.02.2016 fixed fee for each category of trainings.

During the audit of PHSDAC Peshawar for 2019-22, it was discovered that the management organized three six-month trainings with NAVTTC but did not receive training fees. NAVTTC paid training charges of Rs 4,598,795 to PHSDAC, which was used to cover overheads and employee remuneration. Since PHSDAC employees involved in the trainings were already on the company's payroll, receiving additional remuneration from NAVTTC was deemed unjustified.

The irregularity occurred due to weak administrative and financial controls of the company.

Audit is of the view that the objected employees were on the strength and payroll of PHSADC and obtain salary from PHSADC and appointed for core activities i.e. training and provision of services in the field of hunting and sporting arms. Thus, they should not be paid from NAVTTC budget and the amount paid of Rs 2.457 was held irregular and unjustified. Audit holds that the received amounts should be adjusted against training fee of the PHSADC.

Matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that trainings were provided to the students of NAVTTC at fee charges which were adjusted against the remuneration of CFTC employees with the consultation of NAVTTC.

Reply of the management was not tenable as the trainings were provided by the employees of CFTC which were appointed for the training purposes and they provided trainings during official timings of PHSADC by using the company machineries and equipment, thus were not entitled for extra remuneration.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to explain the reasons for payment of remuneration to PHSADC employees from NAVTTC budget and recover the amount from involved employees under intimation to Audit.

Para-13 (PHSADC – 2019-22)

9.11.4.10 Non-appointment of regular CIA, CFO, Company Secretary and CEO

According to SECP Corporate Governance Rules 2013, the Company Board was required to appoint a regular Chief Internal Auditor, Chief Finance Officer, Company Secretary and Chief Operating Officer for the smooth functioning of a company.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that the board of Directors did not appoint a regular Chief Internal Auditor (CIA), Chief Financial Officer (CFO), Company Secretary and Chief Executive Officer (CEO) since January 2, 2014 for the company. The Company is running on acting charge of these positions since long. On the other hand, company was in loss/ deficit each year accumulated upto Rs 239.879 million.

Audit is of the view that due to non-appointing of full time CIA, CFO, Company Secretary and CEO in violation of Corporate Governance Rules, the activities of the Company were badly affected resulting weak performance and accumulated loss/deficit amounting to Rs 239.879 million.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that due to weak financial position of the Company, these statutory positions could not be filled.

Reply of the management was not tenable because extra burden of these positions was required to be borne by parent company PIDC like other employees of PHSADC.

No DAC meeting could be arranged by the PAO till finalization of this report.

Audit recommends to investigate reasons for non-appointing of regular CIA, CFO, Company Secretary and CEO of the Company, fix responsibility on the person (s) at fault and immediate corrective measures be taken in accordance with SECP rules.

Para-9 (PHSADC – 2019-22)

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

9.12 Pakistan Stone Development Company

9.12.1 Introduction

Pakistan Stone Development Company (PASDEC) is a public company limited by guarantee incorporated under Companies Ordinance 1984 (now Companies Act 2017). The Company is a subsidiary of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC). The registered office of the Company is situated at Islamabad Chamber of Commerce building, 2nd floor, G-8/1 Mauve Area, Islamabad.

The objective of the Company is to upgrade the supply of marble and granite in Pakistan through improved quarrying practices and support infrastructure. This involves introduction of new technologies and techniques and establishment of model quarries, upgradation of existing quarries, establishment of industrial cities and establishment of Rock Mining Training Institutes to impart quarrying skills in Pakistan.

9.12.2 Comments on Audited Accounts

9.12.2.1 The working results of the Company for the year 2021-22 as compared to previous years are given below:

(Rs in million)

	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21
Description					
Revenue	96.323	12	85.888	15	74.834
Cost of Sales	(65.783)	(11)	(74.036)	11	(66.956)
Gross Income/(Loss)	30.540	157	11.885	51	7.878
Administrative expense	(85.911)	7	(80.064)	8	(74.466)
Provision for doubtful debts	0	(100)	(0.687)	92	(8.270)
Impairment on receivable from projects	16.835	175	6.124	113	(46.819)
Reversal on impairment on receivable from MCR	0	(100)	19.385	0	-
Financial charges on lease	(1.327)	(4)	(1.388)	0	(0.187)
Other income	11.595	(29)	16.245	0	16.210
Net profit/(Loss)	(36.270)	34	(27.146)	74	(105.654)

(Source Annual Audited Accounts)

9.12.2.2 The core functions of the company are establishment and support of model quarries, upgradation of existing quarries and establishment of industrial cities. However, the company failed to generate revenue from their core functions which needs justifications.

9.12.2.3 Administrative expenses of Rs 85.911 million are 89% of the gross revenue of the company. The management failed to effectively manage human resource of the company. The huge administrative cost led to continuous losses of the company. This needs justification.

9.12.2.4 Trade debts include doubtful debts of Rs 66.00 million. The doubtful debts are 79% of the total trade debts. The management failed to recover their trade debts in time which resulted in loss to the company. It needs justification.

9.12.2.5 Capital work in progress of Rs 26.759 million is appearing in the accounts since last three years. Detailed break up and reasons for non-completion of civil work may be provided to audit.

9.12.2.6 The management entered into Memorandum with Italian Stone and Technology for technology transfer. Under the arrangement the Italian partner will contribute Euro 400,000 for machinery technology and trainings. Complete detail of the same may be provided to audit.

9.12.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2013-14	06	0	06	8.16.1, 8.16.2.1, 8.16.2.2, 8.16.2.3, 8.16.2.4, 8.16.2.5, 8.16.4.1	0
2015-16	03	0	03	8.17.1, 8.17.2, 8.17.4.1	0
Total	09	0	09		0

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

9.13 State Engineering Corporation (Pvt.) Ltd

9.13.1 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.

9.13.2 Comments on Audited Accounts

9.13.2.1 The working results of the Corporation for the year 2022-23 as compared to previous years are given below:

(Rs in million)

Description	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20
Income							
Service charges	30.000	0	30.000	(14.286)	35.000	(36.360)	55.000
Interest income	7.748	27	6.118	90.711	3.208	(29.650)	4.560
Total income	37.748	5	36.118	(5.470)	38.208	(35.850)	59.560
Expenditure							
Operating expenses	(49.555)	39	(35.593)	(8.033)	(38.702)	(21.370)	49.220
Operating Profit/(loss)	(11.807)	2349	0.525		(0.494)		10.340
Profit/(loss) before Taxation	(17.974)	3447	0.537		(0.501)		10.490
Taxation	(2.400)	0	(2.400)	(14.286)	(2.800)	(36.360)	4.400
Profit / (loss) after Taxation	(32.144)	1625	(1.863)	(43.563)	(3.301)	(154.090)	6.090
Accumulated profit/ (loss)	(1,260.100)	3	(1,227.953)		(1,226.090)		(1,222.790)

(Source: Annual Audited Accounts)

9.13.2.2 The management failed to increase the income of the Corporation during last four years. Accumulated loss of the Corporation has grossed up to Rs 1,260.100 million over the years, continuous trend in losses raised doubts about the corporation's ability to run as a "Going Concern". The management needs to justify their huge operating expenses against the nominal revenue of the corporation.

9.13.2.3 Pay & allowances and other benefits increased by 53% from Rs 27.641 million in the year 2021-22 to Rs 42.300 million in the year 2022-23. The management needs to justify the irrational increase in pay & allowances and other benefits during the year.

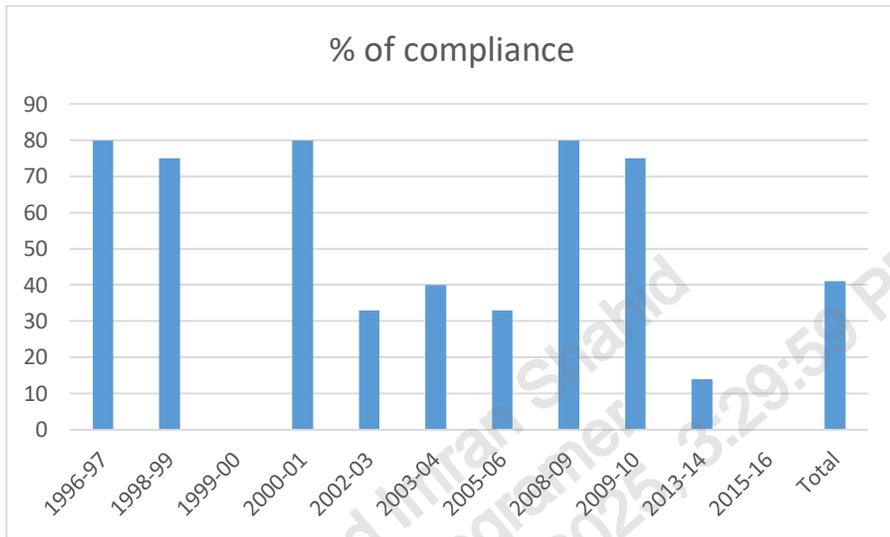
9.13.2.4 The Chartered Accountant has qualified the accounts of the Corporation on the basis of non-reversal of the revaluation surplus Rs 3.492 million recorded in accounts during 2020 on the

1650 kanal land in the possession of Pakistan Atomic Energy Commission and Heavy Mechanical Complex. The management need to provide updated status of the qualification.

9.13.2.5 The Chartered Accountant has also qualified due from Associated undertaking Rs 5.885 million receivable from Heavy Electrical Complex Limited being un reconciled against payable balances shown in the financial statement of HEC. The current status of the same may also be provided to audit.

9.13.3 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, 130	33
2008-09	05	04	01	120.1	80
2009-10	04	03	01	129	75
2013-14	07	01	06	8.17.1, 8.17.2.1, 8.17.2.2, 8.17.2.3, 8.17.2.4, 8.17.2.5, 8.17.2.6	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	59	24	35		41



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

9.14 Technology Upgradation and Skill Development Company (TUSDEC)

9.14.1 Introduction

Technology Up-gradation and Skill Development Company (TUSDEC) is a Company incorporated in January 2005 and licensed under Section 42 of Companies Act 2017. The principal activity of TUSDEC is to upgrade technology & skills of the key and strategic Industrial Clusters and connect Pakistan to the global value chain. TUSDEC is a subsidiary of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC). The principal office of TUSDEC is located at State Cement Corporation Building, Kot Lakhpat, Lahore.

9.14.2 Comments on Audited Accounts

9.14.2.1 The working results of the company for the year 2022-23 as compared to previous years are as under:

(Rs in million)

Particulars	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21
Income from services	135.23	(20.57)	170.24	113.68	79.67
Amortization of grant related to income	49.76	(44.45)	89.57	158.57	34.64
Total Income	184.99	(28.80)	259.81	127.29	114.31
Operating Cost	149.15	(1.06)	150.75	84.09	81.89
Project Expenses	13.35	(77.13)	58.38	79.63	32.50
Administrative and general expenses	117.58	1.15	116.24	24.23	93.57
Total Expenditure	280.08	(13.92)	325.37	55.58	209.14
Other Income	18.69	155.33	7.32	2.81	7.12
Profit/ (Deficit) before taxation	(76.41)	44.22	(52.98)	(39.60)	(87.72)
Taxation	-	-	-	-	-
Deficit for the year	(76.41)	44.22	(52.98)	(39.60)	(87.72)

(Source: Annual Audited Accounts)

9.14.2.2 The accumulated loss of the company increased from Rs 647.87 million in the year 2021-22 to Rs 655.36million in the year 2022-23. The increase in accumulated losses clearly shows weak financial management of the projects. Reasons for losses should be taken up at Ministry level and immediate remedial actions must be taken to make the loss good.

9.14.2.3 Income from services decreased from Rs 170.24 million in the year 2021-22 to Rs 135.23 million registering a decrease of 20.57%. Due to this deficit for the year increased from Rs 52.98 million to Rs 76.41 million registering an increase of 44.22%. Decrease in income from services and increase in deficit for the year indicates alarming situation for the top level management. Sincere efforts may be made for making the loss good.

9.14.2.4 An amount of Rs 504.87 million on account of merger reserves was shown as un-utilized since long. Complete detail of these reserves along with justification for non-fluctuation/ changes in these reserves may be provided.

9.14.2.5 An amount of Rs 4.38 million on account of trade receivables was considered as doubtful in the year 2022-23. This balance includes an amount of Rs 4.19 million in respect of expenses incurred by the company on behalf of Pakistan Industrial Development Corporation (PIDC) which holds 99.99% shares of the company. Strenuous efforts are required by the management for early recovery of the receivables instead of considering these as doubtful.

9.14.2.6 Stores and spares increased from Rs 10.39 million in the year 2021-22 to Rs 11.35 million in the year 2022-23 registering an increase of 9.24%. An amount of Rs 1.15 million was deducted on account of provision for slow moving items. This shows weak management and utilization of assets as new assets are being purchased despite having sufficient items in the stores. Constant increase in stores and spares without utilization of already purchased items and booking of provisions on account of slow moving items needs justification.

9.14.2.7 Short term investments invested in Faysal Bank Limited decreased from Rs 15.00 million in the year 2021-22 to Rs 10.00 million registering a decrease of 33.33%. The decrease in investment resulted into less earning of interest income. Complete detail of investments including approval of the investment from relevant forum for investing funds in Faysal Bank may be provided for ascertaining that decrease in the amount and return on investment was justified.

9.14.2.8 An amount of Rs 22.16 million was shown as tax refund due from Government in the year 2022-23. Whereas the company was allowed a tax credit equal to hundred percent of tax payable in accordance with Section 100C of the Income Tax Ordinance, 2001. Management is stressed to make recovery of tax refunds.

9.14.2.9 Cash and bank balances decreased from Rs 36.83 million in the year 2021-22 to Rs 16.92 million in the year 2022-23 registering a decrease of 54.06%. The drastic decrease in cash reserves needs immediate attention of the top tier of the management as cash reserves of only 16.00 million were left and this can create serious liquidity problems for the company in future.

9.14.2.10 An amount of Rs 801.08 million, Rs 1.53 million, Rs 0.306 million and Rs 4.46 million were returned/ transferred against the projects of Engineering Support Centers (ECS), Footwear Cluster Development (FCD), National Strategic Program for Acquisition of Industrial Technology

(NSPAIT) and Industrial Designing and Automation Centers (IDAC) respectively during the year 2021-22. Likewise, an amount of Rs 15.97 million, Rs 3.86 million, Rs 17.97 million, Rs 27.29 million, Rs 6.35 million and Rs 1.39 million against projects of ECS, FCD, NSPAIT, IDAC, SCDS and NCC were also returned/ transferred. Non-utilization of huge funds indicates the weak internal controls and least interest of the top tier of the management and requires immediate action for utilization of deferred grants. Reasons for non-utilization and return of funds may be justified.

9.14.2.11 Trade and other payables increased from Rs 38.06 million in the year 2021-22 to Rs 49.76 million in the year 2022-23 registering an increase of 30.74%. Major amounts include payables to creditors, accrued liabilities and contract liabilities. This shows that management could not pay off its liabilities during the year. Latest position of payments and outstanding liabilities may be provided.

9.14.2.12 An amount of Rs 9.11 million was shown as project liabilities in the year 2022-23. These were to be paid against projects of IDAC, NSPAIT, SCDS, GIZ, FCD and NAVTTC but liabilities were not paid off during the year. Latest position of the payments made and which are still outstanding may be provided.

9.14.2.13 Amortization of grant related to income decreased from Rs 58.38 million in the year 2021-22 to Rs 13.35 million in the year 2022-23 registering a decrease of 77.13%. The abnormal decrease in utilization of grant related to income depicted serious concerns regarding performance of the company. Management is stressed to make serious efforts to utilize the funds and to avoid such stances.

9.14.2.14 Income from services decreased from Rs 170.24 million in the year 2021-22 to Rs 135.23 million registering a decrease of 20.57% whereas operating cost decreased from Rs 150.75 million in the year 2021-22 to Rs 149.15 million in the year 2022-23 registering a decrease of 1.06% only. Disproportionate/ negligible decrease in operating expenses in comparison with income from services needs immediate attention of the top level management.

9.14.2.15 Consumables expenses under the head administrative expenses increased from Rs 2.19 million in the year 2021-22 to Rs 4.41 million in the year 2022-23 registering an increase of 101.37%. Abnormal increase in these expenses needs to be clarified along with complete detail of these expenses.

9.14.2.16 Project expenses under the head administrative expenses increased from Rs 0.953 million in the year 2021-22 to Rs 3.17 million registering an increase of 232.63%. Huge increase in these expenses needs justification along with full facts and figures of the expenses.

9.14.2.17 Excess liabilities written back under the head other income increased from Rs 0.341 million in the year 2021-22 to Rs 16.13 million in the year 2022-23 registering an increase of 4,630.21%. The abnormal increase in excess liabilities written back needs to be explained along with full facts and figures of these liabilities.

9.14.2.18 Capital expenditure under the head Building/ civil work valuing Rs 42.22 million and Rs 18.46 million was incurred during the year 2021-22 against the projects IDAC and NASPAT respectively. Bill of Quantities, engineer estimates for scheduled items, interim payment certificates, final certificates along with documents indicating inclusion of these expenses in PC-I/ Project documents may be provided to the audit.

9.14.2.19 Capital expenditure under the head IT Infrastructure valuing Rs 5.00 million and Rs 2.92 million against the projects IDAC and NASPAT respectively was incurred during the year 2021-22. Detail regarding provision of these expenses in respective PC-I/ Project documents of the projects along with plan of utilization and actual utilization during the year may be shared with the audit.

9.14.2.20 Capital expenditure under the head Land was incurred during the year 2021-22 valuing Rs 127.89 million and Rs 137.03 million against the projects IDAC and Surgical respectively. Detail regarding provision of these expenses in respective PC-I/ Project documents along with detail of parties from whom these lands were procured, reasons for procurement of land and its utilization during the year may be shared with the audit.

9.14.2.21 Operational expenditure under the head Advertisement amounting to Rs 1.345 million was incurred during the year 2021-22 against the projects Footwear, IDAC, NASPAT and Surgical. Reasons for incurrence of these expenses along with provision in relevant project documents may be shared with the audit.

9.14.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2010-11	01	01	0	-	100
2013-14	02	00	02	8.10.2.3, 8.10.2.4,	0
2019-20	02	02	0	-	100

Total	5	3	02		60
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The compliance of the PAC directives was very poor which needs immediate attention of the PAO.

Muhammad Imran Shahid
Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

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Asstt Programmer
Monday, 24 February, 2025, 3:29:59 PM

9.15 Utility Stores Corporation of Pakistan (Pvt.) Limited

9.15.1 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 are 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 market price, through a chain of store operations.

9.15.2 Comments on Audited Accounts

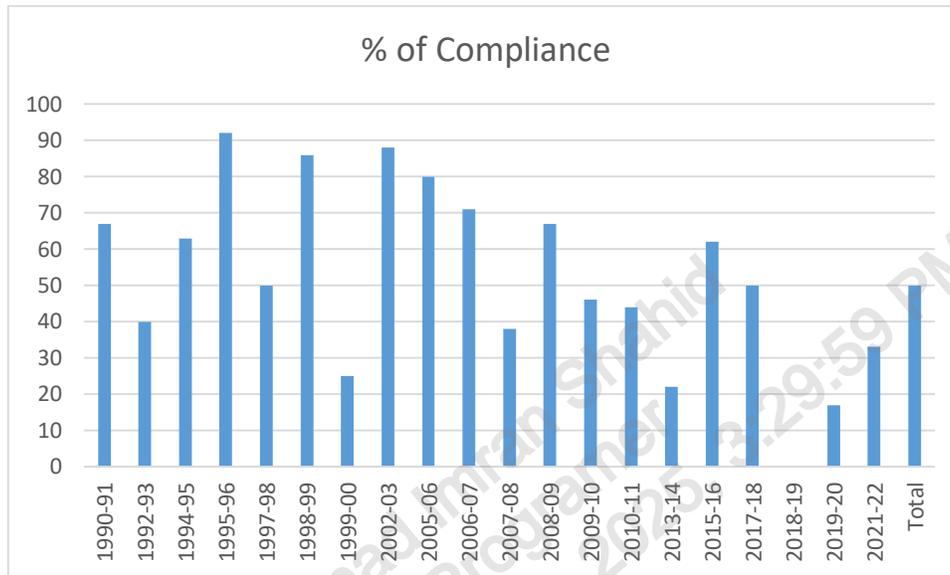
9.15.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the year 2020-21 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the years 2020-21 to 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

9.15.3 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	08	03	05	89.2, 89.3, 90, 91, 93	38
2008-09	06	04	02	116,118	67
2009-10	13	06	07	117.2, 117.4, 118, 119, 120, 122, 123	46
2010-11	16	07	09	11.6.2, 11.6.3, 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	44

2013-14	09	02	07	8.25.1, 8.25.2.1, 8.25.2.3, 8.25.2.4, 8.25.2.5, 8.25.2.6, 8.25.2.7, 8.25.2.8	22
2015-16	08	05	03	8.27.4.1, 8.27.4.3, 8.27.4.4	62
2017-18	08	04	04	10.25.4.1, 10.25.4.2, 10.25.4.5, 10.25.4.6,	50
2018-19	09	0	09	9.25.4.1, 9.25.4.2, 9.25.4.3, 9.25.4.4, 9.25.4.8, 9.25.4.12, 9.25.4.13, 9.25.4.19, 9.25.4.21,	0
2019-20	23	04	19	7.24.2.1, 7.24.2.2, 7.24.2.3, 7.24.2.4, 7.24.2.6, 7.24.2.7, 7.24.2.8, 7.24.2.9, 7.24.3, 7.24.4.1, 7.24.4.2, 7.24.4.3, 7.24.4.4, 7.24.4.5, 7.24.4.6, 7.24.4.7, 7.24.4.8, 7.24.4.9, 7.24.4.11	17
2021-22	06	04	02	8.14.4.3, 8.14.4.8	33
Total	168	84	84		50



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

9.15.4 Audit Paras

9.15.4.1 Excess payment to PASSCO on account of Cost of wheat and transportation charges - Rs 485.925 million

According to Para-2 of letter dated November 08, 2019 regarding fixation of wheat incidentals of PASSCO, PASSCO sells wheat on the instructions of Federal Government and billed the cost of wheat. Cost of wheat has two parts i.e. Support price of wheat and Incidentals (actual expenses incurred on purchase and storage of wheat).

During audit of USC Zonal office, Lahore for the year 2021-22, it was observed that USC procured 150,000 M. Ton imported wheat from PASSCO and made payment as invoiced by them. PASSCO charged Rs 485.925 million higher rates of cost of wheat and transportation to USC as compared to the actual payments made to the said companies. PASSCO charged Rs 261.225 million on account of cost of wheat and Rs 224.700 million on account of transportation charges in excess of the actual payments made to the TCP and NLC respectively. Thus, USC paid excess amount of Rs 485.925 million to the PASSCO.

Description	Quantity M. Ton as per MOUs	Rate as per MOU including all costs (cost of wheat, incidental and transportation)	Cost of wheat charged to USC per M. Ton (Rs)	Cost of wheat to be charged as per invoice of TCP/ M.Ton (Rs)	Difference per M. Ton (Rs)	Excess charging
0	1	2	3	4	5 (3-4)	6 (5*1)
Cost of wheat	40,000	65,154.059	51,340.729	49,221.760	2,118.970	84,758,760
	80,000	69,039.23	55,323.000	53,833.237	1,489.760	119,181,040

	30,000	82,069.23	68,353.000	66,443.486	1,909.510	57,285,420
			175,019.729	169,502.483	5,518.24	
	Sub Total					261,225,220
Average Transportation Charges from Karachi Port to PASSCO Zones	150,000		6,893.000	5,454.000	1498	224,700,000
	Grand Total					485,925,220

(Source: MOUs, TCP Commercial Invoice and agreement provision of transportation services for shifting of Imported wheat)

Audit is of the view that management of USC had to ensure the cost of wheat and transportation cost charged by the PASSCO on actual basis.

DAC meeting was held on 01.02.2024. The management apprised the DAC that cost of Wheat was charged tentatively as per clause "C" of MOU executed between PASSCO authorities & USC. The excess payment of Rs 485.925 million would be refunded in due course and required processing time. DAC pended the para till refund of amount from PASSCO.

Audit recommends investigating the matter and fixing responsibility for making huge payment in excess of actual payment besides effecting recovery.

Para-42 (USC- 2021-23)

9.15.4.2 Mis-utilization of subsidy by the franchises - Rs 228.113 million

According to letter No. General/ZM/USC/01-A dated April 14, 2022 of Manager Franchise to all zonal managers that subsidized items sold by the franchisees will be supported by CNICs of the consumers for subsidy claim at their respective regional account offices.

During the audit of USC Zonal office Lahore for the year 2021-22, it was noted that the management sold subsidized goods to the franchises, which were supposed to be distributed to poor individuals after verifying their CNICs. However, the audit revealed a lack of compliance, as the franchises allegedly sold goods worth Rs 228.113 million without adhering to the necessary criteria. Detail is as under:

Due to weak operational management, a huge quantity of subsidized goods was sold at the sweet will of franchise' owners.

In the absence of relevant record, an amount of subsidy valuing Rs 228.113 million was considered mis-utilized and shown undue favor extended to the franchisees.

DAC meeting was held on 01.02.2024. The management apprised the DAC that USC issued subsidized stock at normal rates, and franchisees had to sell stock at subsidized rates through USC's mobile app. The subsidy claims were to be made by franchisees based on mobile app data and by providing a copy of CNIC for each customer. However, no subsidy claims were made by any franchisee in Lahore Zone during the financial year 2021-2022. Audit contended that subsidized items were sold on normal rates and

the benefit of subsidy; given by the government, could not be reached to the general public. DAC directed for verification of record.

Audit recommends implementation of the directives of DAC.

Para-37 (USC- 2021-23)

9.15.4.3 Loss due to non-lodging insurance claims – Rs 213.444 million

According to Chapter-11 of the USC Stores Operations Manual deals with Insurance Policy. According to policy, it is necessary that all the warehouses and stores are adequately insured against the risk of fire, theft and burglary to safeguard the interest of the Corporation and avoid any financial loss. In case of any incident, the Regional Manager shall immediately lodge the FIR with the concerned Police Station and intimate to the concerned Regional Office of National Insurance Corporation (NIC) with the request to depute their surveyor. The claim to NIC was to be lodged by HO on the basis of provision of the documents by the Regional Manager within 15 days from the date of occurrence of the incident.

The audit of the USC, HO, Islamabad for the year 2021-22 revealed disparities in insurance coverage, ranging from Rs 0.5 million to Rs 20 million for different facilities. Despite a premium payment of Rs 49.42 million, 94 cases of burglary/theft from 2006 to 2022 worth Rs 213.952 million remained pending due to incomplete documentation or delayed reporting, with some FIRs not even filed within the required timeframe. Procedural lapses, including delayed reporting and FIR filing, were noted in several cases.

The position showed negligence on the part of the management i.e. delay in lodging the claim/FIR, non-completion of necessary documentation etc. due to which insurance firm was reluctant to entertain the claims.

Audit is of the view that after lapse of a considerable time, the chances are very much that the insurance company may not entertain the cases and Corporation may sustain loss of Rs 213.444 million.

DAC meeting was held on 01.02.2024. The management apprised the DAC that 34 cases of Rs 28.710 million were settled by NICTL against which an amount of Rs 22.435 million was recovered. The remaining cases were pending with NICTL and USC was actively pursuing NICTL for settlement of these pending claims.

DAC directed the management to conduct an internal inquiry on each case and share it with the Audit and Ministry. DAC further directed to pursue the cases in the court of law vigorously.

Audit recommends implementation of the directives of DAC.

Para-9 (USC- 2021-23)

9.15.4.4 Loss due to damage of goods – Rs 38.683 million

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 submit action should be taken. The damage in the warehouse/store is the personal responsibility of the incharge.

During audit of the USC, HO, Islamabad for the year 2021-22 and 2022-23, it was observed that a large quantity of damaged goods valuing Rs 156.453 million were lying in various warehouses/stores. The Zone wise detail is as under:

S. No.	Name of Zone	Damaged/expired goods as on 30.06.2023 (Rs in million)
1	Abbottabad	9.630
2	Faisalabad	10.632
3	Islamabad	45.420
4	Karachi	3.297
5	Lahore	36.339
6	Multan	9.469
7	Peshawar	17.995
8	Quetta	14.487
9	Sukkur	9.184
	Total	156.453

The management made no efforts to replace the damaged goods from vendors.

Audit holds the view that the management was required to take timely action for the replacement of damaged stock but no action was taken which resulted into loss of Rs 156.453 million to the Corporation.

DAC meeting was held on 01.02.2024. The management apprised the DAC that vendors signed agreements for replacement of the damaged/expired stock. Damaged stock of Rs 117.77 million was returned to the suppliers leaving a balance of Rs 38.683 million. DAC settled the para upto the amount of Rs 117.7 million regarding replacement / liquidation of stock subject to verification of record by the Audit. Besides, remaining stock be replaced and verified from Audit.

Audit recommends implementation of the directives of DAC.

Para-8 (USC- 2021-23)

9.15.4.5 Irregular execution of agreements for grinding of wheat - Rs 147.450 million

According to USC head office letters dated December 29, 2020 and January 19, 2022, certain flour mills for grinding of PASSCO wheat had been prequalified for the calendar year 2021 and 2022. Zonal offices were directed to ensure transparency in the process of obtaining bids from prequalified flour mills prior to execute the final agreement for grinding of PASSCO wheat/ supply of Atta to respective zones in the best interest of the corporation.

During audit of USC Zonal office, Lahore for the year 2021-22, it was observed that management of Zonal and Regional Offices did not make compliance with the instructions of the head office and executed agreements with specific flour mills without obtaining bids of grinding charges on its own for Rs 147.450 million which was held irregular. Details of payment of grinding is given in Annex-75.

It was observed that management executed the agreements with favorite flour mills violating the instructions of the head office regarding transparency and granting undue benefit to the specific flour mills.

DAC meeting was held on 01.02.2024. DAC was apprised that regional management issued letters from time to time for depositing RTGS against PASSCO wheat allocated quota. Audit contended that security money of non-responsive flour mills was not forfeited. DAC directed for verification of record by the Audit.

Audit recommends implementation of the directives of DAC. Besides, security money of non-responsive flour mills be forfeited.

Para-56 (USC- 2021-23)

9.15.4.6 Loss due to less receipt of cost of jute bags - Rs 119.930 million

According to Rule-4 of PPRA Rules-2004, 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.

During audit of USC for the year 2021-22, it was observed that flour mills provided atta to USC as per the allocated wheat quota. According to their agreement, the mills were to adjust the cost of grinding and handling charges by keeping the empty jute bags @ Rs 100 per bag as well as 20 kg bag of atta. However, it was observed from PASSCO record that they were charging Rs 167 per empty jute bag from various mills.

Audit is of the view that USC is charging/adjusting Rs 67 per bag less amount on empty jute bag as compared to that of PASSCO resulting into loss of Rs 119.930 million (179,000 M.Ton x 10 bags per Ton x Rs 67 per bag) to the Corporation.

Due to weak operational control, management failed to get competitive rates of jute bags from the flour mills.

DAC meeting was held on 01.02.2024. The management apprised the DAC that as per MOU between PASSCO and USC, the PASSCO provided the wheat at the ratio of 40% jute bag and 60% PP bags to USC. According to retrieve formula in grinding cost of wheat, USC retrieved Rs 100 of used jute / PP Bags (100 kg), whereas the actual price of used Jute/PP Bags was Rs 96.8 with the ratio of 40% jute bag and 60% PP bags. Audit contended that PASSCO supplied wheat in PP bags only through MOU of 06.06.2022 (50,000 M.Ton). The remaining wheat was supplied in jute bags. DAC directed to internally investigate the matter and get the record verified from Audit.

Audit recommends implementation of the directives of DAC.

Para-38 (USC- 2021-23)

9.15.4.7 Mis-utilization of subsidy by the store incharges – Rs 112.193 million

According to Para-1 and 7 of USC head office order dated May 20, 2022 regarding mechanism on provision of subsidized items, the customers are allowed to buy subsidized items Atta, Sugar & Ghee after a through process involving online NADRA verification to avail subsidy in a reliable way. Further, the customers are entitled to avail authorized quantity of Atta (not more than 40kg), Ghee (not more than 5-kg) and Sugar (not more than 5-kg) on a monthly basis.

During audit of USC for the year 2021-22, it was observed that the management sold subsidized items like Atta, Ghee, Sugar and other items at rates exceeding the prescribed monthly entitlement per CNIC, with abnormal sales ranging from Rs 50,000 to Rs 1,787,246. This led to the mis-utilization of subsidy, as a substantial amount of subsidized stock worth Rs 112.193 million was sold against 582 CNICs, violating established procedures and SOPs.

Weak internal controls enabled store employees to violate the SOPs, raising question mark on the integrity of subsidized goods sales.

Audit is of the view that USC failed to prevent the repeated illegal sale of subsidized items by using same ID cards to gain financial benefits by the employees, resulting in a mis-utilization of subsidy funds of Rs 112.193 million.

DAC meeting was held on 01.02.2024. The management apprised the DAC that illegal financial benefit had been availed by the concerned stores Incharges of various Zones through black-marketing of subsidized stocks in open market instead of transparent provision of subsidy to the customers. All amount was recovered from concerned personnel. DAC directed the verification of record by Audit.

Audit recommends implementation of the directives of DAC. Besides, responsibility be fixed, disciplinary action initiated against the defaulters and necessary steps be taken to amend the software so as to avoid issuance of subsidized goods more than a specific limit against a CNIC.

Para-35 (USC- 2021-23)

9.15.4.8 Loss due to short receipt of sugar – Rs 81.022 million

According to clause-4 of contract agreement dated 19.07.2021 between USC and TCP, the cargo, in standard packing of 50 kgs bags, shall be discharged at the port and shifted directly to the transport provided by USC. The quantity shall be calculated on the basis of No. of bags. The report of tally contractor/stevedore for number of bags at discharge port point shall be final. However, KPT weighbridge will also be used to recheck the quantity. In case of any significant variation on lower/higher side, the number of bags of that particular vehicle shall be recounted. TCP shall not be responsible for any shortage/damage, once the cargo has been handed over to the USC.

During audit of USC for the year 2021-23, it was observed that USC purchased imported sugar from TCP vide Purchase Order No. 546377 dated 26.07.2021. The dispatch Report issued by Incharge Sugar showed dispatched quantity as 33,110.40 M.Ton. However, scrutiny of Goods Receipt Notes (GRNs) indicated that only 32,201.780 M. Ton of sugar was received in various regions, raising a discrepancy of

908.62 M. Ton in the received quantity. (Annex-76). This, resulted into loss of Rs 81.022 million (i.e. 908.62 M. Ton x Rs 89,170.289 per M. Ton = Rs 81,021,908).

DAC meeting was held on 01.02.2024. The management apprised the DAC that the regions reported the receipt of 32,766.52 M. Ton sugar. The difference of 147.268 M/Ton between reported quantity of 32,766.52 M/Ton and GRNs detail of 32,619.252 M/Ton was due to deduction of empty bag. DAC pended the para and directed the management to provide the record to Audit for verification.

Audit recommends implementation of the directives of DAC.

Para-30 (USC- 2021-23)

9.15.4.9 Revenue loss due to non-achievement of sales targets by stores in four quarters – Rs 2,309.378 million

According to Clause 3.07 of USC Store Operational Manual sales targets based on previous performance and on minimum sales turn over expected for each Division/Zone are fixed for each financial year. The sales targets for individual stores are also fixed by the Head Office. Furthermore, as per Clause 3.11 if a Divisional/Regional Manager/ Area Manager Incharge store fails continuously for a period of 3 months to achieve 75% of the Divisional/ Regional/ Area, store target respectively he will be asked to vacate his post.

During the audit of Utility Stores Corporation, Zonal Office, Lahore for the year 2021-22, it was observed that 54-stores of different regions failed to achieve sales target in all quarters due to which Corporation suffered revenue loss of Rs 2,309.378 million but no action had been taken against the responsible. Detail is as under:

Sr. No.	Name of Region	No. of stores	Sales target (Rs)	Actual sales (Rs)	Less sales (Rs)
1.	Lahore (South)	30	4,521,600,000	2,434,426,254	2,087,173,748
2.	Sialkot	17	765,350,000	595,316,058	170,033,942
3.	Okara	7	171,350,000	119,179,265	52,170,735
		54	5,458,300,000	3,148,921,577	2,309,378,425

(Source: Quarterly statements of profit and loss)

Audit is of the view that management of stores failed to achieve targets in all quarters which showed poor performance of Regional Offices management and caused revenue loss to the corporation.

DAC meeting was held on 01.02.2024. DAC was apprised by the management that set sales target was met, except for USC Sialkot Region due to stock unavailability and rural store locations. Overall the said Regions were in Profit. DAC directed to get the record verified from audit.

Audit recommends implementation of directives of the DAC.

9.15.4.10 Non-transparent distribution of free Atta under Prime Minister's Gift Atta for Islamabad (ICT) – Rs 909.751 million

According to Prime Minister's Office U.O No. 2(22)/OS(IA-IV) 23 dated 16.03.2023, the Prime Minister approved a scheme for the provision of free Atta (3x10 kg bags/household) during the month of Ramzan to the households residing in ICT and having poverty score upto PMT-60.

During the scrutiny of record of USC for the year 2021-22 & 2022-23, it was observed that the Prime Minister in a meeting held on 13.03.2023 approved a proposal for provision of free Atta to population upto poverty score of PMT-60 in ICT area under Ramzan Package. As per scheme, 3 bags of 10 Kg Atta were to be provided to each household residing in ICT and having poverty score upto PMT-60. Initially, free Atta bags were to be provided to the 185,984 families of Islamabad (ICT) registered with BISP under PMT-60. Accordingly, 557,952 bags of 10 kg Atta were required for distribution. Later on, MD, USC's letter dated 04.04.2023 revealed that in compliance with the PM's directions dated 25.03.2023, it was decided that if the beneficiary was not verified by BISP, then get it verified from NADRA and one bag of 10 Kg Atta will be provided initially to each family and the number of bags may be increased if required subsequently. The scheme was launched on 18.03.2023 till 16.04.2023.

As per record made available to Audit, 750,815 No. of bags costing Rs 909.751 million were distributed to 457,034 families. The detail of bags distributed is as under:

S. No.	No. of Families	No. of Bags issued to each family	Total Bags issued
1	285,725	1	285,725
2	51,230	2	102,460
3	117,910	3	353,730
4	2,028	4	8,112
5	96	5	480
6	35	6	210
7	2	7	14
8	1	8	8
9	3	9	27
10	2	10	20
11	1	12	12

12	1	17	17
Total	457,034		750,815

However, lists of families of Islamabad registered with BISP under PMT-60 and list of families verified by NADRA were not produced to Audit. In the absence of said lists, the authenticity of beneficiaries could not be verified.

DAC meeting was held on 01.02.2024. DAC was apprised that BISP and NADRA never share their data but only through an API call where USC Point of Sale System (POS) was sending CNIC of citizen through its POS for verification and in return BISP return verification status if the CNIC is found in the BISP database and fall under the required PMT score. DAC directed to verify records of 250 CNICs on test check basis from BISP.

Audit recommends implementation of directives of the DAC.

Para-25 (USC- 2021-23)

9.15.4.11 Irregular payment to the Security Services Company without agreement - Rs 58.459 million

According to Clause-4 of agreement dated July 21, 2020 with M/s Ghosia Guard & Management Services, the contract will be valid initially for one year from July 25, 2020 to July 24, 2021 starting from the effective date for this agreement and extendable at the discretion of the Managing Director USC for further two years on evaluation of the services rendered.

During the audit of Utility Stores Corporation, Zonal Office, Lahore for the year 2021-22, it was observed that a security services agreement for a period of one year was executed with M/s Ghosia Guard on July 21, 2020 which was extendable for further two years on evaluation of the services rendered. After the expiry of agreement, neither service evaluation nor a contract extension occurred, yet USC paid Rs 58.459 million (147 Guards x17 months @ Rs 23,393/month) to the security agency till December 2022.

Due to weak administrative control, management carried forward the contract without any agreement.

Thus, undue favour was extended to the security company by making the irregular payment of Rs 58.459 million without signing of any agreement.

DAC meeting was held on 01.02.2024. The management explained that after the expiry of agreement new tender was published but the same was rejected by USC Head Office and the services of existing security company were allowed till finalization of centralized tender at USC Head Office. Centralized tender was approved on 11.05.2023. Audit contended that the services of previous contractor remained continue till May 2023 (About two years) without evaluation of their services in violation of agreement. DAC directed the management to get ex-post facto approval from BOD.

Audit recommends implementation of directives of the DAC.

Para-39 (USC- 2021-23)

9.15.4.12 Non-initiating disciplinary proceedings against Store Incharges whose shortage exceeded the allowable limit - Rs 15.784 million

According to Para-2(a) of USC Head office letter No. Audit (48) HO/2013 dated 22.10.2013/3807 disciplinary proceedings were required to be initiated against those store Incharges whose shortages at the time of surprise audit or quarterly stock taking exceeded to 1% of the inventory of the stores.

During the audit of USC Regional Office, Islamabad for the year 2021-23, it was observed from the data made available to Audit that shortages of more than allowable limit of 1% of the inventory of the different stores of Rs 43.984 million were detected (Annex-77).

According to USC Head Office's above directives, the recovery of shortage of Rs 43.984 million was required besides initiation of disciplinary proceedings against the stores Incharges. However, the regional management failed to comply the directives which is indicative of weak internal controls.

DAC meeting was held on 01.02.2024. The management apprised the DAC that Rs 28.199 million had been recovered and verified by the audit. DAC pended the para with the direction to pursue the recovery of the remaining amount of Rs 15.784 million. DAC further directed to pursue the case in the court of law vigorously.

Audit recommends implementation of directives of the DAC.

Para-29 (USC- 2021-23)

9.15.4.13 Hiring of transport services from unauthorized supplier without competitive rates - Rs 40.950 million

According to Rule-4 of PPRA Rules-2004, 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. Further, according to USC Head Office Letter No. 431/SOS/2014 dated Aug 04, 2014, it was directed by Sr. General Manager (Operations) to all zonal managers that the period for which agreement with transporter is not finalized the arrangements may be made by them for that period but the transport must be hired from market on competitive rates not higher than the existing approved rates.

During the audit of Utility Stores Corporation, Zonal Office, Lahore for the year 2021-22, it was observed that agreement for transport arrangements from warehouse to utility stores was made with M/s Shahbaz Nasir upto March 22, 2022. Management of zonal office, Lahore initiated a tender process for a new transportation contractor on February 25, 2022, where M/s Phool Pur offered lower rates than the previous contractor but was disqualified for failing to provide earnest money as per tender requirement. The bid of 2nd lowest M/s Shahbaz Nasir was not approved by the USC head being their rates higher than market rates and other zones.

At that time, the management of zonal office was required to obtain market rates but instead, regional offices hired the services of transportation on the last approved rates in violation of instructions issued by the head. Another tender was floated on Nov 06, 2022 wherein M/s Super Shaheen offered lower

rates (i.e. Rs 2,099 to Rs 3,099) than the previous expired contract. Thus, management of regional offices paid excess transportation charges of Rs 40.950 million.

DAC meeting was held on 01.02.2024. DAC was apprised that the transport was arranged from market by the concerned I/C Warehouses on competitive rates and all the formalities were fulfilled. DAC directed to conduct an internal investigation of the matter and submit report to the Audit and Ministry.

Audit recommends implementation of directives of the DAC.

Para-52 (USC- 2021-23)

9.15.4.14 Non-recovery of shortages of goods from serving and ex-employees - Rs 28.532 million

According to Clause-3.10 (f) of Accounting Manual, the store incharge will be responsible for any shortage of stocks/cash that may be found to have occurred at the store after proper verification and checking of the store account and to be responsible to make good such losses/shortage to the Corporation.

During audit of USC Zonal office, Lahore for the year 2021-22, it was observed that various employees at different stores incurred shortages amounting to Rs 19.530 million. and subsequently left the Corporation. Sincere efforts were not made by the management resulting in the retrieval of only Rs 1.358 million, leaving a substantial outstanding shortage of Rs 18.172 million.

Similarly, shortages of goods amounting to Rs 10.360 million were made by serving employees at different stores of Lahore Zone.

Due to weak internal control management failed to recover the long outstanding recoveries from the serving and ex-employees.

Audit is of the view due to non-recovery of the shortages of goods detected against those employees at all regions, huge funds were blocked since long.

DAC meeting was held on 01.02.2024. The management apprised the DAC that recovery from serving employees has been fully made. DAC directed the management to provide evidence of recovery already made, to Audit for verification. DAC further directed to recover the amount from ex-employees from pending benefits and pursue court cases vigorously.

Audit recommends implementation of directives of the DAC.

Para-32 & 34 (USC- 2021-23)

9.15.4.15 Loss due to less receipt of jute bags from flour mills - Rs 22.537 million

According to Clause-5 (5)(a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During audit of Utility Stores Corporation (USC) for the year 2021-22, it was observed that management allocated wheat quota to the Flour Mills for grinding and provision of atta as per prescribed criteria. USC retrieved the cost of jute bags at Rs 100 each from flour mills, while PASSCO had purchased them at Rs 319 each. As per policy of PASSCO, jute bags were re-classified in Class-B which were retained in open stock for two or three years and price of jute bag was determined Rs 167/Jute bag. USC received Rs 100 per Jute bag for 100-Kg wheat from flour mills, but actually 93 Kg wheat was filled in each bag. Accordingly, more bags were used for filling of 179,000 M.Ton wheat. Resultantly, management received less cost of jute bags of Rs 22.537 million as detailed below:

Procurement of Wheat (M.Ton)	Cost of Bags should have been received @ 93-Kgs wheat in a bag supplied to Flour Mills	Cost of Bags received @ 100-Kg wheat in a bag from Flour Mills	Difference of bags	Loss on less received of cost of jute bags @ Rs 167/bag (Rs in million)
0	1	2	3	4
179,000	1,924,731	1,790,000	(1-2) 134,731	(3 * Rs 167) 22.537

(Source: Letters of PASSCO, MOUs signed with PASSCO)

Audit is of the view that management should receive the cost of actually delivered jute bags from the flour mills to avoid the loss.

DAC meeting was held on 01.02.2024. DAC was apprised that PASSCO gave FAQ wheat in 100 kg jute bag and 50 Kg in PP bag. USC retrieved Rs 100 of each used Jute / PP Bags (100 kg), whereas the actual price of used Jute/PP Bags was Rs 96.8 with the ratio of 40% jute bag and 60% PP bags (i.e. Jute bag @ Rs167 x 40%= Rs 66.8 and PP Bag @ Rs 50 x 60% = Rs 30). Audit contested that instead of 100 kg, PASSCO had filled 93 Kg wheat in each bag due to which 134,731 extra bags were consumed but their cost was not retrieved/ adjusted by USC. DAC directed for verification of record.

Audit recommends implementation of directives of the DAC.

Para-43 (USC- 2021-23)

9.15.4.16 Irregular/ excess payment to flour mills on account of cost of atta - Rs 21.394 million

According to USC Head office letter No. 4092/W&WF/2021/4081 dated June 03, 2021, the rate of ATTA per 20-Kgs bag was Rs 1,161 which remained effective till October 01, 2021.

During the audit of Utility Stores Corporation, Zonal Office, Lahore for the year 2021-22, it was observed that management of Regional office Lahore North and South made payment of Rs 1,488 and Rs

1,379 per bag respectively to the flour mills on account of the cost of atta instead of rate of Rs 1,161 per bag of 20 Kg, notified by the head office.

Audit is of the view that management paid excess amount of Rs 21.394 million against the rate notified by the Head Office of USC (Annex-78).

DAC meeting was held on 01.02.2024. DAC was apprised that PASSCO converted indigenous wheat into imported wheat during Sep.2021 and revised the rate from Rs 51,822.73 to Rs 65,154.059 of wheat. Cost of 20 Kg bag of atta was also revised from Rs 1,161 to Rs 1,488 accordingly. The payment was made on revised imported wheat rate. DAC directed for verification of record.

Audit recommends implementation of directives of the DAC.

Para-49 (USC- 2021-23)

9.15.4.17 Non-payment of markup on LC amount to TCP due to supply of imported sugar - Rs 1,041.897 million

According to Clause 5(B)(g) of contract agreement dated 19.07.2021 between TCP and USC for delivery of imported sugar, the payment against the allocated quantity as per landed cost worked out by Finance Division, TCP or approved rates issued by the Government, should be received by TCP before opening of LC. In case the amount is not paid by USC by then, LC will be opened by TCP and all markup accrued on the unpaid amount, till receipt of payment shall be the responsibility of USC as per actual.

During audit of the accounts of USC Head Office, Islamabad for the Year 2021-22 it was observed that the management of USC and TCP signed an agreement on 19.07.2021 for the supply of imported sugar for a quantity of 50,000 M. Ton which was increased to 100,000 M. Ton vide an addendum. The management of USC failed to pay the sugar cost to TCP before LC opening, leading to a claimed markup of Rs 1,041.897 million upto 31.03.2023. However, USC management was reluctant to pay the amount of markup due to non-receipt of Rs 4,560 million from Ministry of Finance on account of subsidy.

Audit is of the view that markup would further increase and USC might sustain huge loss in this regard.

DAC meeting was held on 01.02.2024. DAC was apprised by the management that Rs 4,560 million stood receivable from Ministry of Finance on account of subsidy. The matter of non-release of subsidy amount had been taken up many times in order to clear the outstanding payments to TCP. However, USC did not own this mark-up as it occurred due to delayed releases from Finance Division. However, USC has no objection if Finance Division directly releases the payments to TCP along-with markup at Government end. DAC pended the para and directed the management to provide complete record pertaining to pursuance the case with Finance Division to audit within 30 days.

Audit recommends implementation of directives of the DAC.

Para-7 (USC- 2021-23)

9.15.4.18 Loss due to theft of store items at USC Stores/warehouses - Rs 12.713 million

The management of USC vide its letter No. 431/SOS.2021/227 dated 24.02.2021 circulated the security measures to be adopted at Zonal/Regional Offices, warehouses and stores. According to said measures, the Zonal Managers were required to ensure deployment of security guards at Zonal/Regional Offices and warehouses. The guard deployed at the roof of the warehouses must be in possession of whistle, torch, gun and mobile phone and firm alarms. Emergency lights must be arranged in addition to lights installed at each point. The Regional Managers, Incharge Warehouses must check the security measures at different timing. Ensure that CCTV system is functional at all warehouses and connected with cell phones.

During audit of the USC, HO, Islamabad for the year 2021-22, it was observed that in 21 incidents of theft/decoity at different locations, the store items of Rs 12.713 million were stolen / looted by the robbers/decoits. Although, the management had lodged FIRs with police but without any fruitful results. The management also nominated inquiry officers to investigate the incidents but the reports were still awaited. The claims were also lodged with insurance company but without any fruitful results.

Audit is of the view that due to weak internal controls, the Corporation sustained loss of Rs 12.713 million.

DAC meeting was held on 01.02.2024. The management apprised the DAC that USC has taken a proactive approach by securing insurance coverage against burglary and fire risks and out of 21 cases, 17 claims of Rs 10.917 million were settled by NICTL for Rs 10.003 million. DAC directed to provide the record of recovery already made alongwith bank statements to Audit. DAC further directed to pursue remaining cases vigorously.

Audit recommends implementation of directives of the DAC.

Para-10 (USC- 2021-23)

9.15.4.19 Non-forfeiture of bid security due to non-execution of agreements by Pre-qualified flour mills - Rs 12.500 million

According to Clause-d of Terms and Condition of Bidding documents for pre-qualification of Flour Mills for grinding to wheat, the application for pre-qualification must be accompanied with security money of Rs 500,000. As per Clause-m, Rs 500,000 security money of success full Flour Mills will be returned after completion the period of contract. Further, Clause-dd describes that in case of any deviation from SOP/ TORs, the concerned flour mills shall be subject to due penalty which may extend to suspension of quota, forfeiture of security money and black listing (temporary/permanent) as well.

During the audit of Utility Stores Corporation, Zonal Office, Islamabad for the year 2021-22 & 2022-23, it was observed that 41 flour mills were pre-qualified for grinding of PASSCO wheat and supply of Atta vide Head Office letter No. 4092/W&WF/2023/4566 dated 02.01.2023. The management executed agreements with thirty-one mills but no agreement was executed by ten flour mills. Detail is given at Annex-79.

The bid security amounting to Rs 5.00 million was to be forfeited as per terms & conditions of the bidding documents but management failed to forfeit the same.

Similarly, twenty-four (24) flour mills were prequalified vide Head Office letter dated December 29, 2020 for Lahore Zonal Office. Out of these, management executed agreements with nine flour mills but no agreement was executed by fifteen flour mills. The bid security amounting to Rs 7.500 million (Rs 500,000 x 15) was to be forfeited but management failed to forfeit the same. Detail is given at Annex-80.

Audit is of the view that bid securities submitted by pre-qualified flour mills should have been forfeited due to non-execution of agreements but the same was not done.

DAC meeting was held on 01.02.2024. DAC was apprised that pre-qualified period for supply of Atta against PASSCO wheat started from 1st January to 31st December of each year. M/s Esmail Flour Mill Islamabad, M/s Al Karim Flour Mill, Rawat, Rawalpindi and Al-Mehraj Roller Flour Mill, Kala Gujra, Jhelum had executed agreements with USC. However, remaining 7 Flour Mills did not execute agreement with USC. The security money of these 7 Flour Mills would be forfeited. Further, M/s OK FM, M/s Awami FM, M/s Qaiser FM, M/s Ramzan FM, M/s Data Foods, M/s Dayan FM, M/s Al-Hamad FM, M/s New Capital FM, and M/s Bajwa FM had executed agreements with USC. However, remaining 6 Flour Mills did not execute agreement with USC. The security money of these 6 Flour Mills would be forfeited. DAC pended the para and directed the management to provide copies of agreements of flour mills pointed out and updated status of the forfeiture of bid security of flour mills to Audit for verification.

Audit recommends implementation of directives of the DAC.

Para-23 (USC- 2021-23)

9.15.4.20 Irregular extension of transportation contract – Rs 4.899 million

According to contract agreement for transportation of stock of the consumer goods from warehouses to stores, USC Islamabad Zone, there exists no clause for extension of contract.

During audit of USC Regional Office, Islamabad for the years 2021-22 & 2022-23, it was observed that a contract for transportation of stock of consumer goods from warehouses to stores, USC Islamabad Zone was awarded to M/s Shahbaz Nasir Goods Transportation Company on 01.02.2022 for a period of one year. The contract was extended for a period of 3 months from 01.02.2023 to 30.04.2023. The contract was again extended w.e.f. 01.05.2023 till the finalization of new tender vide USC HO letter No. 327/SOS/Tender-Trans./2022/772 dated 17.07.2023.

Audit observed that no fresh contract was executed till the close of audit. An amount of Rs 4.899 million was paid to the contractor from 01.02.2023 to 30.09.2023 which was held irregular in Audit. The extension in contract tantamount to undue favour to the contractor.

DAC meeting was held on 01.02.2024. DAC was apprised by the management that before the expiry of previous contract on 31.01.2023, USC processed a tender and opened on 14.02.2023 wherein four firms participated but due to certain discrepancies, contract could not be awarded to the lowest firm. The 2nd lowest bidder was ignored due to lack in capacity of delivery while the rates of 3rd lowest vendor were high, due to which tender was scrapped. Since, the month of Ramzan was approaching (in March), it was decided to extend the existing agreement with the previous vendor. Audit argued that the technical bids of all the four participating companies were approved but later on, the contract was not awarded to the lowest firm due to non-submission of requisite documents. The 2nd lowest bidder was also not awarded the contract

due to lack of capacity which indicated that no proper technical evaluation criteria were adopted due to which the firms were technically qualified but later on contract was not awarded to the lowest firm and previous contract agreement was continued without having a clause of extension therein. DAC directed the management to justify the extension of the transportation contract for seven months even though no clause of extension of the contract was available in the agreement.

Audit recommends implementation of directives of the DAC.

Para-14 (USC- 2021-23)

9.15.4.21 Irregular retention of staff beyond sanctioned strength – Rs 93.473 million

According to Rule-5, Clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety which 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 (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of USC for the year 2021-22 and 2022-23, it was observed that excess staff was appointed in USC HO, in different categories over and above the sanctioned strength which resulted into irregular / extra expenditure of Rs 93.473 million on pay and allowances from July 2021 to June 2022. Further, payment detail of certain staff was not produced to Audit. Moreover, the pay roll for the year 2022-23 was also not produced to Audit.

Audit is of the view that the retention of staff in USC HO beyond the sanctioned strength and payment of salary to the unauthorized staff was irregular.

DAC meeting was held on 01.02.2024. The management apprised the DAC that for smooth functioning / operations, the staff was posted / deputed at various posts in excess of approved sanctioned strength. DAC pended the para with the direction that management should revise the sanctioned strength as per the requirement with the approval of competent authority.

Audit recommends implementation of directives of the DAC.

Para-28 (USC- 2021-23)