



REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF THE

GOVERNMENT OF PAKISTAN

FOR THE YEAR

1970-71



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C O R R I G E N D A

to the Report of the Public Accounts
Committee for the year 1970-71.

- Page 2 - in 4th line of sub-para (3), for "made"
read "make".
- Page 3 - in 11th line of para 10, for "account"
read "accounts".
- Page 7 - in last line of para 32, for the figures "31(4)"
read " 30(4)".
- Page 49 - in 1st line of sub-para(b) of para 177,
for "he" read "the".
- Page 54 - in 4th line of para 199, for "afford"
read "offered".
- Page 55 - in 3rd line of para 204, for "supulated"
read " stipulated".
- Page 58 - in 3rd line of para 230, for "property"
read " proper".
- Page 64 - in para 257 -
- (i) in 3rd line for " improprietrice" read
"improprieties", and
 - (ii) in 4th line, omit comma occurring after
the word " however".
- Page 81 - in para 360, in the last line for the figure
"9" read "96".
- Page 93 - in 4th line of para 439, omit the word 'because'.

Page 118- in heading(ii) below para 647, for "station"
read " stations".

Page 127- in 4th line of para 723, for "report"
read " representative".

Page 132- (i) in 14th line from top for "774. Para 35,
page 59" read " 772. Para 26, page 56".

(ii) in 1st line of para 775, for the word
and figures "Para 37" read "para 38".

Page 133- in 1st line of para 787, for "changes"
read "charges".

Page 149- in 6th line of para 898, for "handling"
read "handling".

Page 155- in 3rd line of para 932, the word "and"
may be omitted.

Page 173- in 2nd line from bottom, in column 3, for
the figure "41,01" read "14,01".

Page 175- in line 4 from bottom, in column 2, for the
figure "3,2',52" read "3,21,55".

Page 181- against Sl.No.4 in column 4, for the figure
"7,64,57,719" read "7,64,59,719".

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NATIONAL ASSEMBLY SECRETARIAT

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE|AD-HOC PAC ON
THE ACCOUNTS OF THE FEDERAL GOVERNMENT FOR THE YEAR
1970-71.**

Former PAC and its Report.—The Committee on Public Accounts, set-up under rule 171 of the Rules of Procedure and Conduct of Business in the National Assembly, 1973 initiated examination of the Appropriation, Finance and Commercial Accounts etc. and the Reports of the Auditor-General of Pakistan thereon for the year 1970-71 in September, 1976. It held three sittings on the 16th, 17th and 18th September, and then adjourned *sine die* on 18th September, 1976, having completed examination of accounts of 13 Ministries|Divisions|Departments only. The proceedings of these meetings are appended as Annexure I to this Report.

2. Consequent upon the dissolution of the National Assembly on 10th January, 1977, the Committee on Public Accounts also ceased to exist. The National Assembly, which came into position after the elections of 7th March, 1977, did not elect a Committee on Public Accounts, till it was dissolved on the 5th July, 1977 on the proclamation of Martial Law in the country. The examination of accounts of the Federal Government by a Committee on Public Accounts thus fell further into arrears.

3. *Setting up of Ad-hoc PAC.*—To liquidate the backlog and bring, as far as possible, the examination of accounts up-to-date, the President, in pursuance of the Proclamation of 5th July, 1977 read with clause (1) of Article 2 of the Laws (Continuance in Force) Order, 1977 (CMLA Order No. 1 of 1977), was pleased to set up *vide* Finance Division notification No. SRO-313 (I)/78 dated 25th March, 1978 read with notification No. SRO-940 (I)/78 dated 26th July, 1978 and No. SRO-1217(I)/78 dated 14th October, 1978 (Annexure II) an *Ad-hoc* Public Accounts Committee to examine the Appropriation and other accounts of the Government of Pakistan and the Reports of the Auditor-General thereon and to deal with the un-finished business of the Standing Committee on Public Accounts of the National Assembly of Pakistan, dissolved on the 5th July, 1977. The Committee consisted of the following:—

- | | |
|---|------------------|
| (1) Mr. A. G. N. Kazi, Governor, State Bank of Pakistan. | <i>Chairman.</i> |
| (2) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan | <i>Member.</i> |
| (3) Mr. Mushtaq Ahmad, former Auditor-General of Pakistan | <i>Member.</i> |
| (4) Mr. Abdul Qadir, former Chairman, Railway Board. | <i>Member.</i> |
| (5) Mr. Yusuf Bhai Mian, Chartered Accountant .. | <i>Member.</i> |

4. *Terms of reference of Ad-hoc PAC.*—The terms of reference of the Committee were notified to be as below:—

- (1) In scrutinising the appropriation and other accounts of the Government and the reports of the Auditor-General thereon, it shall be the duty of the Committee to satisfy itself—
 - (a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;

- (b) that the expenditure conforms to the authority which governs it ; and
- (c) that every re-appropriation has been made in accordance with the provisions made in this behalf under the rules framed by the Ministry of Finance.

(2) It shall also be the duty of the Committee—

- (a) to examine the statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes, concerns and projects together with the balance sheets and statements of profit and loss accounts which the President may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme or concern or project and the report of the Auditor-General thereon ;
- (b) to examine the statement of accounts showing the income and expenditure of autonomous and semi-autonomous bodies, the audit of which may be conducted by the Auditor-General either under the directions of the President or under an Act of Parliament ; and
- (c) to consider the report of the Auditor-General in cases where the President may have required him to conduct the audit of any receipts or to examine the accounts of stores and stocks.

- (3) If any money has been spent on any service, during a financial year in excess of the authorised grant or appropriation for that purpose, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendations as it may deem fit.

5. *Quorum of the Ad-hoc PAC.*—The quorum to constitute a sitting of the Committee was prescribed to be three.

6. *Business before the Ad-hoc PAC.*—The business before the Committee was as follows :—

- (1) Un-finished business of the previous Public Accounts Committee, namely, examination of Appropriation, Finance and Commercial Accounts for the year 1970-71 and Reports of the Auditor-General thereon relating to 28 Ministries|Divisions|Departments etc.
- (2) Consideration of 25 Reports on inquiries ordered by the PAC in their Report on the accounts for 1968-69 and 1969-70.
- (3) Consideration of General Compliance Reports submitted by Ministries|Divisions on the Report of the PAC in respect of accounts for the years 1963-69 and 1969-70.
- (4) Consideration of the first Interim Audit Report of the Auditor-General on the Accounts of the Federal Government concerning serious irregularities, based on the more important audit observations made during the last about 5 years *i.e.*, prior to and later than 1973-74.

- (5) Examination of Appropriation, Finance and Commercial Accounts for the year 1971-72 and the years subsequent thereto and Reports of the Auditor-General thereon in respect of ALL Ministries/Divisions of the Government of Pakistan.

7. *Interim Audit Report.*—The Interim Audit Report referred to at (4) above, was prepared by the Auditor-General in compliance with the direction given by the PAC on the 9th December, 1975 to the effect that all serious irregularities and improprieties, involving considerable loss to the exchequer, must be de-linked from the normal Appropriation Accounts etc. Audit Reports and brought up by the Auditor-General, without waiting for the entire accounts of a particular year to be examined by them, to the notice of the PAC for their consideration. The PAC should, for this purpose, be deemed to be continuously in session for scrutinising such irregularities. A meeting of the PAC should be called at short notice to consider them, whenever such reports are received from the Auditor-General. Accordingly, the Auditor-General submitted an Interim Audit Report on the accounts of the Federal Government, containing the more important audit observations made during the last about five years, i.e., prior to and later than 1973-74, for *Ad-hoc* PAC's consideration.

8. *Meetings of the Ad-hoc PAC.*—The Committee met in the National Assembly Secretariat, State Bank Building, Islamabad, for the first time on the 4th October, 1978. Mr. Mushtaq Ahmad, former Auditor-General of Pakistan and a member of the Committee, could not participate in any sitting reportedly because of his illness.

9. *Proceedings of the Committee.*—The Committee held two sessions. The first session was held from the 4th to 12th October, 1978 and the second session from the 18th to 19th November, 1978. In all, nine sittings were held. During these sessions, the committee completed the examination of the Accounts for the year 1970-71 in respect of the remaining Ministries/Divisions, Reports on the Inquiries ordered by the PAC, General Compliance Reports for the years 1968-69 and 1969-70 and the Interim Report of the Auditor-General on serious irregularities. The proceedings of these sittings are appended as Annexure III to this Report. The specific recommendations, directions and observations, of the Committee, included in the proceedings, may be regarded as part of our Report.

10. *The Backlog.*—Before commencing examination of the accounts, the Committee noted that there had been an inordinate delay in the presentation of accounts to the Public Accounts Committee for their examination in as much as even the accounts for 1970-71 had been pending for examination since 1976. The Committee was still more surprised to learn that the submission of Accounts to the President and its presentation to PAC was about 6-7 years behind schedule. Normally, the Report for any particular year should be ready between March and July of the subsequent year and, as soon as possible, got printed and submitted to the President for being laid before the House and referred to the PAC. The Committee were given to understand that the accounts for the years later than 1971-72 were not ready. The account for the year 1971-72 had been circulated by the Finance Division to the Ministries etc. for preparation of their replies. As for the later years, three out of 11 compilations relating to the accounts for 1972-73 were under print. Those for the subsequent years were in various stages of preparation. The reasons for this inordinate delay in the preparation of the accounts were explained to be as follows :—

- (a) Inadequacy of technical staff, unwillingness of staff for posting in Accounts Sections of A.G.'s office and/or distant localities and non-sanction of additional remuneration to those posted in such areas,

- (b) delay in receipt of replies from Ministries|Divisions on Audit paras,
- (c) delay in non-separation of 'Audit' from 'Accounts' and Decentralisation of Accounts.

11. It was evident that the delay in the compilation of accounts, was largely due to laxity of administration in Government Ministries and Departments and weakness of the Accounts organisation.

12. The Committee felt deeply concerned over this situation, as not much useful purpose was likely to be served by holding, in 1978 and 1979, detailed examination of out of date and antiquated accounts. In most cases, the officers responsible for serious irregularities, improprieties and considerable losses to the Government would have either retired or quitted service, died or gone out of the country. No effective action could, therefore, be taken against them. The Committee, therefore, requested the Auditor-General and also impressed upon the Ministries|Divisions concerned to make special efforts, so that the presentation of accounts to the *Ad-hoc* PAC took place in quick succession and the backlog was cleared in the shortest possible time.

13. *Audit observations not properly and promptly attended to by Ministries.*— The attention of the Committee was particularly drawn by the Auditor-General to his persistent complaint that Ministries|Divisions paid very little heed to the Audit observations concerning laxity of control and flagrant violation of rules, which called for prompt departmental action at the time that they were initially made. They tended to wait and see until the observations were included in the Audit Report and the Departments required to furnish explanation to the Public Accounts Committee. We also noted instances where Audit had suggested a particular course of action in their observations e.g., institution of departmental inquiry, but no prompt action was taken, with the result that the offenders went away scot free. Even where action was initiated, the process was so slow that either the relevant records had vanished or the persons concerned managed to retire or leave the country for good.

14. The Committee was inclined to agree with the Auditor-General that, had prompt and timely action been taken by the Ministries|Divisions and the machinery moved faster against those responsible for misdeeds, many of the losses suffered by the State might have been saved or minimised, recoveries wholly or partially effected and the persons concerned dealt with according to law.

15. The Committee felt that one of the main reasons for such a state of affairs was that the departmental heads have not been taking due interest in the Audit observations made on their accounts and the subordinate staff had been left free to deal with such observations. The lower staff sat over the Audit objections, and failed to take prompt action thereon or send prompt replies to the Audit.

16. The Committee strongly recommended that all Ministries|Divisions|Departments should promptly bring to the notice of the Head of the Department audit observations received by them and, if the recommendation be, to hold a departmental inquiry or initiate similar other action, the same should be acted upon without any loss of time or waiting for the receipt of a formal Audit report or directive from the PAC.

17. *Concern of PAC with irregularities.*—It was also noticed that, in the past, the PAC had been devoting much of their time to routine examination of variations, namely savings and excesses in primary units. We are of the view that the Committee should not be over occupied with an examination of these variations as bulk of them can be regularised by the Ministries etc. under their delegated powers. The PAC should, be seriously concerned with instances of laxity of control over expenditure, major excesses over sanctioned grants as a whole and particularly, flagrant violation of rules.

18. *Surrender of Savings.*—We very much doubt the advisability of the existing orders under which savings, occurring in a grant, have to be formally surrendered by the Ministries etc. by the last day of the financial year, when at that late stage they cannot be allocated to any other departments. It may, therefore, be examined by the Finance Division whether savings, if any, at the end of a financial year should be deemed to have lapsed automatically.

19. *Cash payment in lieu of book adjustment in inter-departmental transactions.*—The Committee also found much confusion in the Accounts resulting from the existing system of book adjustments in inter-departmental transactions. Savings and excesses in most of the grants occurred because of non-receipt of timely information about credit/debit through book adjustments from the concerned quarters. To improve budgetary control and settlement of accounts by the end of each financial year, we suggest that consideration be given to the system of cash payments in inter-departmental transactions.

20. *Excesses, ascribed to belated adjustments of expenditure, should show corresponding saving in the past year.*—The Committee noticed that in many cases, the departmental explanation for excesses over sanctioned grants was adjustment of expenditure, pertaining to the preceding financial years, in that particular year. The Committee was not satisfied with this stock explanation and wanted it to be laid down that such an explanation could be acceptable only if the department concerned could show a corresponding saving in the financial year to which the belatedly adjusted expenditure pertained. Thus alone could the department establish that savings on account of a committed expenditure had not been appropriated for incurring expenditure on un-specified items.

21. *Laxity of control over expenditure.*—The Committee also came across instances of laxity of control over expenditure, resulting in either non-surrender of appreciable savings or excesses not having been regularised by obtaining a matching grant before the close of the financial year. Excess over a grant, sanctioned by the Legislature, is a serious irregularity and must be fully explained and formally regularised. The Committee recommended that the position in this regard may once again be brought home to the Ministries/Divisions etc. and the need for exercising better budgetary control over expenditure emphasised upon them.

22. *Suspense Account.*—The Committee noticed, with great concern, that huge sums were lying unadjusted in 'suspense' accounts. No serious effort appeared to have been made by the concerned Departments to liquidate this amount by transfer to appropriate heads of accounts. The amounts were continuing to mount, without any visible signs of liquidation. A practicable procedure should be devised to eliminate accumulations in suspense account. Finance Division should have this issue examined urgently, in consultation with the Auditor-General, and lay down the necessary procedures.

23. *Working Paper on some important issues.*—The Committee desired the Finance Division to prepare a working paper, in consultation with the Auditor-General, dealing with the following matters:—

- (1) Delay in presenting Federal Accounts and Reports.
- (2) Simplification of Budgetary and Accounting Systems including revision of their format.
- (3) Surrender of Anticipated Savings.
- (4) Carrying forward of Grants beyond the end of the financial year.
- (5) Scope of Audit, including examination by Audit of administrative decisions.

24. A Working Paper, prepared jointly by the Finance Division and the Auditor-General, was presented to us at the sitting of the Committee on the 19th November, 1978. The Committee did not see in this paper definite solutions for the various problems discussed therein including the liquidation of backlog of Appropriation Accounts etc. and improvement in the presentation of Accounts. What seemed most essentially needed was to make an all-out effort to improve the method of collection of information for timely compilation of the Accounts. For achieving this end, ways and means must be found to reduce the quantum of work and to simplify the presentation of Accounts, so that the Accounts can be brought up-to-date. The other points, made during the discussion on the Working Paper, are contained in Annexure IV.

25. After the above discussion, it was decided that the points raised in the Annexure IV should be examined by the Ministry of Finance and the Auditor-General, for further necessary action and the Auditor-General should furnish in January, 1979-session of the *Ad-hoc* PAC, for their consideration, a time-table for bringing the Accounts of the Federal Government up-to-date.

26. *Unnecessary purchases of store/material etc.*—The Committee noticed several cases of blocking of large amounts of capital, because of purchase and maintenance of large quantities of spares and stores, which were not required for use immediately or even in the near future. The Committee suggested that it may, once again, be impressed upon the Ministries/Divisions etc. to be extremely circumspect in buying spares and stores, so that they are not unnecessarily saddled with un-useable large stores.

27. *Departmental Representatives not fully prepared.*—The Committee noticed that some of the departmental representatives had not come fully prepared and, therefore, could not adequately answer the questions put to them by the Committee during the course of examination of the Accounts and Reports. In some cases, the departmental representatives had to be asked to furnish the required information to the Committee subsequently. The Committee, therefore, requested that all the Ministries/Divisions etc. may be directed to ensure that their departmental representatives came well-prepared for the meetings of the Public Accounts Committee.

28. *Recurrence of Irregularities pointed out by PAC.*—It was noticed that, notwithstanding the directive of the former PAC, Ministries/Divisions continued to indulge in irregularities pointed out in various earlier reports. Some of the irregularities have been consolidated in Annexure V. We would recommend that those found guilty of persisting in such irregularities should be dealt with most sternly, under the rules.

29. *Important Recommendations of General nature.*—Some of the more important recommendations of the Committee, which are general in nature, are summarised in Annexure VI to this Report.

30. We also append to this Report the following statements as Annexure VII:—

- (1) *Statement No. 1.*—Summary of Results of Appropriation Audit.
- (2) *Statement No. 2.*—Analysis of savings and excesses by main Departments *i.e.*, Civil Defence and Post Office and Telegraph and Telephone Departments.
- (3) *Statement No. 3.*—Analysis of savings and excesses under Revenue, Capital and Loans and Advances.
- (4) *Statement No. 4.*—Statement showing Excesses over Grants which require to be regularised.
- (5) *Statement No. 5.*—Statement showing Excesses over Charged Appropriations which require to be regularised.

31. We express our thanks to the Auditor-General, his officers and staff and the officers and staff of the National Assembly Secretariat for their help to the *Ad-hoc* PAC in conducting its deliberations.

32. The Committee submit this Report to the President with the request that the recommendations and suggestions made in paras 16—23 and 27—29 above and in Annexures I, III, IV and VI be accepted. The Committee would also recommend that the excesses in expenditure, contained in the statements referred to in para 31 (4) and (5) and appended to Annexure VII, be regularised.

M. A. HAQ,
Secretary,
National Assembly Secretariat.

A. G. N. KAZI,
Chairman.

MASARRAT HUSSAIN ZUBERI,
Member.

ABDUL QADIR,
Member.

YUSUF BHAI MIAN,
Member.

28 MAR 1979

Islamabad, the March, 1979.

22:

The recommendations of the Committee, summarised in para 32 of the Report, were approved by the President on the 13th May, 1979.

ANNEXURE I
PROCEEDINGS
OF
PUBLIC ACCOUNTS COMMITTEE

NATIONAL ASSEMBLY SECRETARIAT

MINUTES CONTAINING THE DECISIONS; RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE

1st Meeting

The Public Accounts Committee met in the State Bank Building, Islamabad, at 10.00 A.M. on 16th September, 1976.

Members present were :—

- | | | | | | |
|--|----|----|----|----|------------------|
| 1. Rana Muhammad Hanif Khan, Minister for Finance, Planning and Development | .. | .. | .. | .. | <i>Chairman.</i> |
| 2. Rai Hafizullah Khan | .. | .. | .. | .. | <i>Member.</i> |
| 3. Ch. Shafaat Khan Chohan | .. | .. | .. | .. | <i>Member.</i> |
| 4. Mr. Hakim Ali Zardari | .. | .. | .. | .. | <i>Member.</i> |
| 5. Prof. Ghafoor Ahmad | .. | .. | .. | .. | <i>Member.</i> |

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. Akhtar Hassan, Joint Secretary.
3. Mr. I. H. Siddiqi, Deputy Secretary.
4. Mr. Abdul Halim, Assistant Secretary.

Audit Representatives

1. Mr. Abdul Hamid, Auditor-General of Pakistan.
2. Mr. Zahiruddin Jedly, Deputy Auditor-General (A&R).
3. Mr. Mashkoor Ahmad Khan, Accountant-General, Pakistan Revenues.
4. Kh. Abdul Waheed, Director of Commercial Audit.

Ministry of Finance Representatives

1. Mr. Asad Ahmad, Additional Finance Secretary.
2. Qazi M. Alimullah, Joint Secretary, Finance.
3. Mir Bakhsh Zafar, Deputy Secretary. (Budget).

2. The Public Accounts Committee took up consideration of Enquiry Report on financial operations of the National Shipping Corporation and the position of Sundry debtors submitted by the Ministry of Communications in compliance to the earlier directive of the Committee.

MINISTRY OF COMMUNICATIONS

Departmental Representatives

1. Mr. Shah Nawaz Khan, Secretary, Communications.
2. Cdr. Mahmud-ul-Hasan, Member, NSC Board.

Item 1—Sl. No. 31 (Para 478, Page 433 of Commercial Accounts 1969-70).

Financial operations of National Shipping Corporation—position of Sundry Debtors

3. The Auditor-General pointed out that, in paras 47 and 48 of the Summary of the Report, it had been stated that there was a sudden change of agency in New York from Messers Waterman to East West Shipping Agency merely on the recommendation of the Regional Representative and the payment of penalty of \$ 32,000 to M.s. Waterman for a sudden abrogation of the contract, without any protest from the Financial Director etc., amounts to gross negligence. No reason had been adduced for the change of agency at such a short notice. Para 45 *ibid'* said that serious allegations had been made by the Agent against some of the Head Office Officers who reportedly made heavy demands on the Agent during their periodical visits to New York. Consequently the concerned officers could not be firm with the Agent, Regional Representative regarding the freight earnings. Moreover, the Agent used to charge the amounts spent on entertainments of the visiting officers to the account of National Shipping Corporation. There was, therefore, need for identifying the officers who misused this facility. This would give a better idea of the amount so paid.

4. The departmental representative stated that, after the submission of the Report which was prepared by the National Shipping Corporation on 3rd April, 1975, some further developments had taken place. The Supreme Court of the State of New York had adjudged that the National Shipping Corporation had to recover from the E.W.S.A., a sum of 3.729 million dollars. The exact amount is 3,729,152 and this amount includes the original sum *plus interest plus the charges*.

5. The departmental representative further stated that they had now gone to another Court, the U.S. District Court in New York, for the realisation of the money. For this purpose, they have agreed to pay to the Attorney a sum of \$ 50,000 *plus certain percentages* of the recovered amount. It is hoped that the National Shipping Corporation may be able to recover a part of the amount, if not the whole amount. He further stated that, after this bad case, the National Shipping Corporation had taken some steps to safeguard their interest by entering into properly executed agreements.

6. The Chairman remarked that there are issues involved in this case. So far as the prosecution of this case in a foreign Court is concerned, it has to be pursued vigorously. Secondly, the possibility of taking legal action not only against Commander Abdul Latif but others, who may have been involved in this case, needs to be examined. It may also be examined whether there will be a fit case to be registered against Commander Latif under Emergency Law. In case it was being investigated by F.I.A. or Police, the stages of investigation may be checked up from them. It may also be examined whether any action can be taken against those involved, but who may be now employed with other agencies.

7. The Chairman further stated that he had observed that the successor-functionaries hardly felt any responsibility for the actions taken before them. Once there has been a misappropriation, fraud or bungling, even the subsequent Chairmen are equally accountable, if they had not pursued the matter wholeheartedly.

8. The Committee directed the departmental representative to submit a detailed report to the P.A.C. within three months. The report should also include the names of all agents for the N.S.C. for the last ten years and the position of their accounts.

MINISTRY OF INDUSTRIES

Departmental Representatives

1. Mr. S. M. A. Ashraf, Additional Secretary, Ministry of Industries.
2. Mr. Abdul Qayum, Deputy Secretary.

Item 2—Consideration of Report on streamlining the existing purchase procedure of the Department of Investment, Promotion and Supplies.

9. During the course of discussion, the departmental representative stated that the Cabinet Division had taken a decision to review and simplify all purchase procedures and probably the recommendations made now will be overlapping. The Chairman remarked that, if the Committee set up by the Cabinet Division propose any changes later, we may look into them and make suggestions, if any. For the present this item may be treated as concluded and the recommendations made in the report suitably implemented.

Item 3—Consideration of Working Paper on Audit Courts prepared by the Auditor-General.

10. The Auditor-General pointed out that the Committee had desired that Audit should prepare a paper regarding expeditious finalisation of audit observations. The paper had been prepared and circulated. Since the Committee had already evolved a new system that alongwith the normal Audit Reports which would come up in the usual manner, important cases of financial irregularities, etc., detected during the year 1973-74 and onwards should be included in an interim report and presented to the P.A.C. [Legislature in advance of the normal reports. The work on the preparation of the interim report under the revised procedure had already been started and the result would be watched. The subject of the paper, in a way, had, therefore, been settled. The Committee agreed.

Item 4—Issue of Press Handouts to publicise important features of Audit Reports on Appropriation Accounts.

11. The Auditor-General stated that the above suggestion had been made by his predecessor. He was not in favour of following it up till the accounts and audit reports become upto date.

12. The Auditor-General further stated that, if the Committee felt later that there was a need to publicise important features of Audit Reports, there was nothing to keep them from doing so. The Chairman agreed with the Auditor-General.

13. The Committee then adjourned to meet again at 10.00 A.M. on the 17th September, 1976.

ISLAMABAD :
The 7th December, 1976.

M. A. HAQ,
Secretary.

**MINUTES CONTAINING THE DECISIONS RECOMMENDATIONS OF THE
PUBLIC ACCOUNTS COMMITTEE**

2nd Meeting

14. The Public Accounts Committee met in the State Bank Building, Islamabad, at 10.00 A.M. on the 17th September, 1976.

Members present were :—

- | | | |
|---|---------|------------------|
| 1. Rana Mahmmed Hanif Khan, Minister for Finance, Planning and Development | .. | <i>Chairman.</i> |
| 2. Rai Hafizullah Khan | | <i>Member.</i> |
| 3. Ch. Shafaat Khan Chohan | | <i>Member.</i> |
| 4. Mr. Hakim Ali Zardari | | <i>Member.</i> |
| 5. Prof. Ghafoor Ahmad | | <i>Member.</i> |

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. Akhtar Hasan, Joint Secretary.
3. Mr. Abdul Ha'im, Assistant Secretary.

Audit Representatives

1. Mr. Abdul Hamid,
Auditor-General of Pakistan.
2. Mr. Zahiruddin Jedly,
Deputy Auditor-General (A&R).
3. Mr. Mashkoor Ahmad Khan,
Accountant-General, Pakistan Revenues.
4. Mr. Ziaul Haq Khan,
Director, WAFDA Audit.
5. Kh. Abdul Waheed,
Director, Commercial Audit.

Ministry of Finance Representatives

1. Mr. Asad Ahmed, Additional Finance Secretary.
2. Qazi M. Alimullah, Joint Secretary, Finance.
3. Mir Bakhsh Zafar, Deputy Secretary (Budget).

PAKISTAN ATOMIC ENERGY COMMISSION

Departmental Representatives

1. Dr. Munir Ahmad Khan, Chairman, PAEC.
2. Dr. A. H. Razi, Member, Finance, PAEC.
3. Mr. Ainuddin Siddiqi, Director F&A.

APPROPRIATION ACCOUNTS 1970-71 (Page-166)

15. *Grant No. 39 (Sub-Head "A")*.—The Auditor-General informed the Committee that excess expenditure under this sub-head comes to Rs. 3.73 lac after taking into account the misclassification between "New" and "other than new" class of expenditure.

16. The departmental representative explained that figures have been booked under this sub-head rather than sub-head 'C' under the control of Scientific and Technological Research Division. He further said that they were open to correction to prove this.

17. The Chairman directed the departmental representative to verify in consultation with A.G.P.R., and report back the final position to the Committee.

EXAMINATION OF GRANTS CONTROLLED BY THE MINISTER OF FUEL, POWER AND NATURAL RESOURCES INCLUDING WAPDA AND OIL AND GAS DEVELOPMENT CORPORATION.

Departmental Representatives

1. Mr. Masrur Hassan Khan, Secretary, Ministry of Fuel, Power and Natural Resources.
2. Mr. A. H. Tanauli, Deputy Secretary, Ministry of Fuel, Power and Natural Resources.
3. Major-General Fazli Raziq, Chairman WAPDA.
4. Mr. A. C. Broker, Finance Manager, O.G.D.C.
5. Mr. Shahid Ahmed, Director, Finance, P.M.D.C.
6. Mr. K. M. Chima, Member, Power, WAPDA.
7. Mr. S. Muniruddin, Member, Finance, WAPDA.

APPROPRIATION ACCOUNTS

1970-71

18. *Grant No. 82 (Pages 400—406)*.—The Auditor-General pointed out that, under this grant, there is an over-all excess of Rs. 5,80,177 (excluding East Pakistan Circle). Out of this total excess, an amount of Rs. 4,50,300 was booked under the head "C-3-Comprehensive investigation of water resources in East Pakistan" and that the debits were not passed on to the erstwhile Accountant-General, East Pakistan, Dacca, owing to political disturbances. He wanted to know as to why could the Ministry not provide for it in appropriate time.

19. The departmental representative stated that they had nothing to argue but to regret. He further stated that now they were going on the right track, reconciling the figures of actual expenditure with the A.G.P.R. and looking into their accounts themselves. At that time, there was some confusion. The Chairman was satisfied with the explanation.

20. *Grant No. 83 (Pages 407-408)*.—The Committee accepted the departmental explanation in respect of small overall excess below this grant.

21. *Grant No. 128 (excluding 'C' Pages 548-549).*—The Auditor-General pointed out that there was an over all excess of Rs. 38,371 under this grant, which had been attributed to booking of expenditure on account of construction of P.O.L. Testing Laboratory owing to late receipt of debits from Pak. P.W.D., Chittagong. The Committee agreed to drop the objection.

22. *Grant No. 132 (Page 558).*—The Auditor-General pointed out that an amount of Rs. 7.50 crore appears to be an excess in the books of A.G.P.R., as debit could not be passed on to the Accountant-General, East Pakistan, Dacca. The reappropriation order in respect of Rs. 6.30 crore is not readily available and Audit are unable to comment on this aspect of the Ministry's reply. If this order had in fact been passed, there was no excess nor would there be a saving of Rs. 6.30 crore.

23. The departmental representative stated that they had already sent a copy and again they would supply a copy of the orders to Audit. The Committee agreed to drop the para.

COMMERCIAL ACCOUNTS

1970-71

OIL AND GAS DEVELOPMENT CORPORATION

[Page 138, para 175 (iii) (a)]

24. The Auditor-General brought to the notice of the Committee that the accounts of the Corporation had not been made available for incorporation in the commercial books of accounts. He requested that the accounts should be expedited and brought upto date.

(Page 700, para 729)

(Page 701, para 731)

25. Audit pointed out current liabilities (Rs. 73 lac); unclaimed Wages (Rs. 1.31 lac) and amount recoverable from other parties (Rs. 31.50 lac) at the end of 1968-69.

26. The departmental representative stated that the amount recoverable from the PIDC, is about 8.65 lacs. The PIDC wanted to adjust it against some services. Negotiations were still going on.

27. The Auditor-General expressed the view that the accounts of commercial organisations for each year were interconnected in so far as outstanding balances were concerned; while certain liabilities were liquidated and amounts recoverable were recovered, further liabilities were incurred and so on. The Committee might not find it useful to go into old liabilities at the material time for the two years in question. The Committee agreed to the suggestion.

MARINE INSURANCE CLAIMS

(Page 701, para 731)

28. The Auditor-General pointed out that Marine Insurance claims amounting to Rs. 91,000 had been written off as time-barred.

29. The departmental representative stated that the persons responsible for it were penalized. They were charge sheeted and left the service on their own, after paying the penalty. The Chairman remarked that it is a sheer waste of time and nothing may come out of it.

SHARIGH COLLIERIES, SHARIGH

(Pages 433-434, para 442)

DEGARI COAL MINES, QUETTA

(Page 443, para 454)

SOR RANGE COLLIERIES, QUETTA

(Page 453, para 468)

MAKERWAL COLLIERIES LTD., MAKERWAL

(Page 461, para 476)

30. After a detailed discussion on the above projects, the Committee desired to know as to why, in a particular colliery (Makarwal Collieries), there is a profit and in others there is a loss. It might be due to efficiency or inefficiency or due to some other technical reasons. The Chairman directed the departmental representative to submit a detailed report showing the reasons for losses, etc. to the Committee within three months.

[Page 138, para 175 (i)]

(Page 780, para 809)

(Page 781, para 813)

SALT MINES AND QUARRIES

31. The Committee noted that there are huge losses in respect of Salt Mines and Quarries. For instance, in the year 1968-69, it was only Rs. 29,000 and in 1969-70 it was Rs. 5.60 lac. The departmental representative was directed to submit a detailed report to the Committee, after a thorough investigation, within three months.

OUTSTANDING LEAVE SALARY AND PENSIONARY CHARGES

(Page 782, para 818)

32. Audit pointed out that the liability of Rs. 4,09,556 on account of leave salary and pension contribution in respect of Government servants was required to be liquidated by making payment to Government. The departmental representative informed that this would be done through the A.G., Punjab. The Committee directed to do it.

AUDIT REPORT WAPDA

1970-71

33. *Comments on the balance sheet of Indus Basin Project as on 30th June, 1970—[Pages 5-6, paras 1 (3) and 1 (4)—Audit Report WAPDA].—The Committee decided to drop the objections in these paras as there was no materiality.*

34. *Stock and Stores—[Page 6, para 1 (5)—Audit Report, WAPDA].*—The Auditor-General stated that the required certificates, showing agreements of the ground balance with the book balance and that there was no un-serviceable, obsolete or surplus stores, had not been recorded on the balance-sheet. The Ministry had to furnish a certificate in a consolidated form but this had not been done. Even the individual certificates furnished were very few.

35. The departmental representative stated that individual certificates were given to Audit. But the Auditor-General remarked that stock verification statement of some of the Project and not the requisite certificates on the balance-sheets for the Indus Basin Project had been furnished. A certificate in a consolidated form was required to be recorded according to commercial practice.

36. The Auditor-General requested the departmental representative to intimate audit the latest position upto June, 1975. The Audit will also check all points in this regard.

37. The Committee agreed to it.

38. *Irregular payment of Rs. 30,36,911—(Page 7, para 4—Audit Report, WAPDA).*—The Auditor-General informed the Committee that the main contractor of Chashma Barrage was reimbursed, on the certificate of an Engineer, a sum of Rs. 30,36,911 representing 50% of the amount paid by him to the labour in lieu of annual leave, casual leave, terminal gratuities and notice pay, necessitated by the promulgation of the West Pakistan Industrial and Commercial Employment Ordinance, 1968. This payment was not covered by any clause of the agreement.

39. The Authority stated that the Engineer's decision was not acceptable to them and they had applied for arbitration. The majority award announced in November, 1974 was biased against WAPDA and the Authority had contested it. The case is presently pending in the court of Senior Civil Judge, Lahore, since 2nd May, 1975.

40. The Committee agreed that the decision of the court may be awaited.

41. *Irregular payment of Rs. 99,161, for disposal of material excavated from Coffor Dam area—(Page 8, para 6—Audit Report, WAPDA).*—The Auditor-General pointed out that this case relates to the interpretation of a contract. Coffor Dams are temporarily built for diversion of water etc., till the final Dam is constructed. There were lump sum provisions. There was no item rate for the construction of Coffor Dams. The contractor was paid Rs. 99,000 for throwing away 48,000 cubic yards of the material excavated from the Coffor Dam area, which was not admissible under the contract. The amount thus irregularly paid was to be recovered from the contractor.

42. The departmental representative stated that when the actual work started, excavation had to be undertaken. In the original specification, there was no provision for this excavation and for throwing away the excavated material subsequently. The main fault was that the specification showed that the intention would be only levelling. He agreed that there was some weakness in the contract also.

43. The Auditor-General informed the Committee that in another case (Page 21 Para 21 of Audit Report) he had requested the Law Division to guide them whether the interpretation of Audit was correct. The Law Division had

informed him that they are supposed to advise only the Divisions of the Federal Government on matters relating to the latter. However, if P. A. C. wanted their advice, that division could give their advice informally. Thereupon, the Chairman remarked that the benefit of advice of the Law Division may be sought for the guidance of the Public Accounts Committee.

44. *Over-payment of Rs. 15,503 as compensation for built-up property—(Pages 9 & 10, para 8—Audit Report, WAPDA).*—Due to arithmetical mistakes in the estimates prepared by the Authority for the acquired built-up property in Tarbela, the Land Acquisition Collector over assessed the property by Rs. 15,503, resulting in an over-payment to the owners. After re-verification in August, 1975, the actual net over-payment worked out to Rs. 13,417 (Over-payment of Rs. 14,766 and under-payment Rs. 1,349). The Authority had intimated in September, 1972 that two Engineers and three Overseers were responsible for the mistakes and action against them was under way.

45. The departmental representative informed the Committee that three persons responsible for the mistakes have been dismissed in other cases. One overseer, Mr. Aziz, is still available and action will be taken against him.

(i) *Irregular payment of Rs. 11,98,873 recovered at the instance of Audit. (Page 10, para 9—Audit Report, WAPDA).*

(ii) *Recoveries aggregating Rs. 69,311 effected by WAPDA at the instance of Audit. (Page 29, para 36—Audit Report, WAPDA).*

46. The Committee appreciated the performance of Audit.

47. *Expenditure on projects in excess of deposits—[Page 11, para 10 (1)—Audit Report, WAPDA].*—The Committee directed that the matter may go to the Provincial Co-ordination Committee.

48. *Transfer of costs of completed projects—[Pages 11 & 12, para 10 (2)—Audit Report, WAPDA].*—The Committee directed the departmental representative to finalise the accounts, etc.

49. *Unallocated expenditure of Rs. 2,09,99,073—[Page 12, para 10 (3)—Audit Report, WAPDA].*—After discussion, the Committee directed the departmental representative to finalise action within two months and to submit a report to the Committee.

50. *Bank over-draft of Rs. 6,00,38,021—[Page 13, para 10 (5) Audit Report, WAPDA].*—The Auditor-General pointed out that the Authority took a Bank over-draft of Rs. 6 crore during the year 1970-71. Prior sanction of the Government for the same was not obtained.

51. The departmental representative informed the Committee that sanction had since been issued, on 20th April, 1976.

52. *Difference in figures under Head Office Current Account—[Page 13, para 10 (6)—Audit Report, WAPDA].*—The Auditor-General pointed out that the A/C Current with M.P.O. and the figures in the Head Office "Current A/C" showed a difference of over Rs. 2 crore.

53. The departmental representative stated that they will finalise action within 2 or 3 months. The Committee directed that action may be completed in two months and reported to them.

54. *Physical verification of stores—[Page 14, para 10(8)—Audit Report, WAPDA].*—The Auditor has yet to verify the certificates on production by WAPDA.

55. *Blocking up of funds to the extent of Rs. 6,61,26,752 and Annual Recurring Estimated Loss of Rs. 38 lac due to delay in the completion of a project—(Page 14, para 11—Audit Report, WAPDA).*—ECNEC approved a Salinity Control and Reclamation Project in July, 1968, involving construction of 1,196 tube-wells to be completed by March, 1971, at an estimated cost of Rs. 18 crore yielding a net annual revenue of Rs. 30 lac. The construction work on 566 tube-wells was completed in May, 1971 but the energisation was delayed till August, 1974. An expenditure of Rs. 6.61 crore was incurred till December, 1973, besides an annual expenditure of Rs. 1.48 lac on watch and ward and Rs. 6.28 lac on a full-fledged office, etc. By this time only 104 tube-wells were brought in operation. No revenue was earned as contemplated in the plan. Of the remaining 630 tube-wells contract for SO was awarded in December, 1973. The position of remaining 550 tube-wells is not known to Auditor.

56. The Auditor-General pointed out that such bottlenecks, namely, the delay in energization for three years, should be removed for the future.

57. The Chairman of the Committee remarked that funds available for the construction of 1,196 tube-wells would go waste, as WAPDA could not consume those funds by constructing all these tube-wells immediately. WAPDA should ask for funds for only that number of tube-wells which they could sink and the allocated funds could be consumed properly.

58. Chairman WAPDA assured the Committee that things would improve now and WAPDA would not further overload the lines. Unfortunately, WAPDA was running short of its vital maintenance stores.

59. Chairman, WAPDA and the departmental representative of the Ministry of Fuel, Power and Natural Resources further stated that they had already requested for a meeting with Mr. A. G. N. Kazi to obtain funds for spare stores and for their Thermal Plants. The Chairman said that there was too much leakage of power in the country. Chairman, WAPDA admitted that about 50% meters were being interfered with in collaboration with WAPDA officers. The Authority was trying to tighten the leakage. They had removed seventeen persons from service and the process would continue. WAPDA would be able to give a better account of themselves when they come next time before the Public Accounts Committee.

60. Secretary, Ministry of Fuel, Power and Natural Resources stated that WAPDA Budget is more than the Punjab and Sind Budgets combined. It is, therefore, essential to instal a system of accountability. As regards investigation, the Ministry had itself started sending people to find out the draw backs. The Ministry had sent an officer to Jacobabad and he had found that, out of 1236 connections, billing had been done for 4 months in respect of only 300 connections. The system needs re-organization to make it more accountable. The Electricity Act also needs an amendment. They had already made a recommendation to the Ministry of Law that the Electricity Act of 1908 needed an amendment and a draft amendment had also been suggested.

61. *Infructuous Expenditure of Rs. 7,83,017 on abandoned tubewells. (Page 15 para 12—Audit Report, WAPDA).*—Expenditure of Rs. 7,83,017 incurred by

the Authority on material and labour had gone waste on account of boring, testing and constructing pump houses, sites of tube-wells in Khairpur Tubewells Drainage project as the design of the tube-wells selected, after survey and investigation, was found to be unsuitable. During meeting with the Authority, Audit was informed that an inquiry had been ordered and the Inquiry Officer had submitted a report to the Authority on 15th September, 1972. The consultants (Sir Mc Donald) were held responsible for the wasteful expenditure. The Committee directed the Department that action for regularisation of the case should be taken.

62. *Loss of Rs. 12,090 on account of Diesel Oil (Page 16, para 15—Audit Report WAPDA).*—After hearing the departmental representative, the Committee dropped the para.

63. *Local Audit and Inspections (Pages 16—27, para 16 Pages 28-29, para 34—Audit Report WAPDA).*—Audit had been pointed out from time to time the deteriorating situation in giving replies to the outstanding Inspection Reports. The Committee directed the departmental representative to note this for compliance.

64. *Consumers Bills recoverable (WAPDA Accounts) [Page 19, para 17 (4)—Audit Report, WAPDA].*—Auditor-General pointed out that arrears of electricity amounting to Rs. 10.75 crore were outstanding as on 30th June, 1971 for want of recovery from the consumers. Provision for bad debts was made at a uniform rate without analysing the recoverables. In reply, the Authority had mentioned its limitations in effecting the recoveries. In fact, the position is quite alarming and the arrears have now increased from Rs. 10.75 crore to Rs. 27 crore, Rs. 9 crore from Government Departments and Rs. 18 crore from private parties.

65. The departmental representative stated that it was an ancient system and they had already given an assignment to a man from the World Bank to go into this matter, and had already started a campaign from the 15th September, 1976 to effect dis-connections whether it be a industry or a Government Department. Electricity Act of 1908, needed an amendment and they had suggested a draft amendment to the Law Ministry.

66. *Cash at Banks [Page 19, para 17 (5) Audit Report, WAPDA].*—Committee accepted the departmental explanation.

67. *Difference in the figures of Account Current [Pages 19 & 20, para 17 (16)—Audit Report, WAPDA].*—The Auditor-General pointed out that there was a difference of about 48 lac in the figures of Head Office current account and those shown in the books of Electricity Operation Branch. The departmental representative stated that it would be adjusted in the current year's account.

68. *Loss of Revenue amounting to Rs. 9,27,19,524 (Page 20 para 18—Audit Report, WAPDA).*—The Committee had already discussed this in the foregoing paras.

69. *Shortage of stores worth Rs. 5,14,579 (Page 20, para 19—Audit Report, WAPDA).*—The Auditor-General pointed out that there is a shortage of stores of Rs. 5 lac in four regional stores of the Electricity Divisions of WAPDA. The Chairman of the Committee asked if any action had been taken against the

defaulters. The departmental representative stated that their law was still complicated in the case of most of their officers. WAPDA took over the Electricity Department from the Provincial Governments. Those people were governed by the Government rules. But in the case of employees of WAPDA, they had their own rules. They could not change the rules. They did not have whole time Inquiry Officers. However, they had ordered that all pending cases should be finalized by the 31st October, 1976. Once the Essential Services Ordinance was made applicable, I.R.O. 1969, will go out of the picture completely. The departmental representative informed the Committee that there were 193 cases of indiscipline, some dating back to 1964. They were going to finish them all by the 31st October, 1976 except those which were with the Anti-Corruption or F.I.A. They were unable to deal with them latter till the F.I.A. or Anti-Corruption finalise their reports.

70. *Embezzlement of Cash Rs. 5,12,400 (Page 21 para 20—Audit Report, WAPDA).*—The Auditor-General pointed out that a Head Clerk of Thal Operation Division, Jauharabad, embezzled cash Rs. 5,12,400 from December, 1966 to December, 1969. He was suspended by the Chief Engineer on the 3rd February, 1970. He was arrested by the Police after the case was registered and later bailed out.

71. The Chairman directed the departmental representative to take action against all those found guilty or suspected.

72. *Payment of interest to the extent of Rs. 4,30,385, in foreign exchange due to late payment of value of plant, (Page 21 para 21—Audit Report, WAPDA).*—The Auditor-General pointed out that WAPDA instructed its Resident Representative at Karachi on 26th February, to pay the amount immediately to the contractor. The payment was actually made on 4th March, 1969. The agreement was made on a very late date and the time schedule was short. The agreement was signed on the 24th February and the last date of payment was 28th February. It was a defective contract. The departmental representative stated that they would hold an enquiry on their own. The departmental representative also said that they did not object to the case being referred to the Ministry of Law. The Auditor-General was of the view that the entire amount of Rs. 4.3 lac is payable only on account of delay of three days. The three day delay meant only three days extra interest and not the whole year's interest 7th December, 1967 to 28th February, 1969. But the Legal Adviser of WAPDA had advised that the liability was for the whole period.

73. After discussion, the Committee directed the departmental representative to submit an enquiry report within three months.

74. *Non-Accounting of Angle Iron Costing Rs. 55,176 (Page 22, para 23—Audit Report, WAPDA).*—The Auditor-General pointed out that the amount involved in this case is not very much but the facts are interesting. The departmental representative stated that the XEN was removed. Chowkidar was dismissed and the record was destroyed. The Auditor-General further stated that for future something should be done. The departmental representative promised to hold an enquiry on their own.

75. Members of the Committee pressed the departmental representative that something should be done for the future. The departmental representative assured them that they would take necessary steps and would be able to satisfy the Committee next time.

76. *Loss of Rs. 35,081 due to short receipt of material (Page 23, para 25—Audit Report, WAPDA).*—The Auditor-General informed the Committee that the Authority had informed in June, 1976 that this claim stood included in the list of claims acceptable to M.s. P.I.C. and has been adjusted against the premium payable by WAPDA. They will now check the latest information furnished to them.

77. *Misappropriation of Cash amounting to Rs. 28,652 (Page 23, para 26—Audit Report, WAPDA).*—The case was handed over to the Anticorruption Department whose Report is still awaited. The Committee directed the departmental representative to suspend the person concerned and finalise action against him quickly.

78. *Non-accounting of stores valuing Rs. 27,146 (Approximately) (Page 24, para 27—Audit Report, WAPDA).*—The departmental representative informed the Committee that the case has been registered now. F.I.R. had been lodged. The Chairman of the Committee directed the Chairman WAPDA to ask the Police to expedite the case. The Committee directed the departmental representative that they must let them know, within three months the result of such cases.

79. *Extra Expenditure of Rs. 24,425, on local purchase and blocking of Authority's funds to the extent of Rs. 1.82 lacs (Page 24, para 28—Audit Report, WAPDA).*—After hearing the departmental representative, the Committee dropped the para.

80. *Payment of emoluments at high rates (Page 25, para 29—Audit Report, WAPDA).*—The Auditor-General pointed out to the Committee that it was an act of favouritism, which is finished now. The Chairman agreed to drop the para.

81. *Extra Expenditure of Rs. 21,044 due to cancellation of a contract (Pages 25 and 26, para 30—Audit Report, WAPDA).*—The Auditor-General said that it was again a border line case. The para was dropped.

82. *Embezzlement of material worth Rs. 18,000 and fictitious drawal of salary, (Page 26, para 31—Audit Report, WAPDA).*—The Auditor-General read out the para. The departmental representative informed the Committee that an enquiry had now been made and the officer charge-sheeted. On this, the Committee directed that necessary action should be finalised quickly.

83. *Review of Revenue for 1970-71—(Pages 27 and 28, para 33—Audit Report, WAPDA).*—The Auditor-General pointed out to the Committee that this subject had already been discussed by the Committee.

MINISTRY OF LAW AND PARLIAMENTARY AFFAIRS

Departmental Representative

Mr. Justice Abdul Hayee Kureshi, Secretary.

AUDIT REPORT 1970-71

84. *Irregular Expenditure of Rs. 51,365. (Page 50, para 35—Audit Report).*—The Auditor-General stated that this was very small item about the purchase of furniture. The matter had been settled. The objection was decided to be dropped.

MINISTRY OF FOREIGN AFFAIRS

Departmental Representatives

1. Mr. M. M. Abbas, Additional Secretary (Admn).
2. Brig. M. I. Qureshi, Director-General (Admn).
3. Mr. Hamid Ali Khan, Director (B&C).
4. Syed Shaukat Hussain, Director of Audit, Ministry of Foreign Affairs.

APPROPRIATION ACCOUNTS (1970-71)

85. *Grants No. 56, 57 and 89.*—The Committee did not discuss these grants. The objections in these paras were dropped.

AUDIT REPORT

1970-71

86. *Overpayment of Travelling Allowance T.L. 9,934. (Page 28, para 17—Audit Report).*—The Auditor-General pointed out that extra payment of 9,934 Turkish Liras was made to some officers and staff of the Mission in Ankara in excess of their entitlement from June, 1954 to August, 1957. The overpayment was pointed out by Audit in January, 1958. Amount of 254 T.L. only was recovered and the balance amount was written off in 1971 as most of the officials concerned had, retired, left service, by that time. The departmental representative stated that when the objection was raised, the rules cited were not in force. The rules came into force from 1st September, 1959, whereas the objection was received earlier. The Chairman said that the Ministry knew that an irregularity had been committed and action could have been taken against the delinquents. The Ministry should be careful in the future and, if there any irregularity be noticed in the future, they should take immediate action. The para was dropped.

87. *Non-adjustment/non-recovery of Travelling Allowance advance £ 200. (Page 28, para 18—Audit Report).*—The Auditor-General pointed out that T.A. advance of £ 200 was drawn by the Head of a Mission in Ankara in 1955, which remained unadjusted/un-recovered for 16 years. The officer died in 1971 and the amount was written off by the Ministry. In view of this the Committee decided to drop the para.

88. *Loss of Rs. 32,043 in foreign exchange due to retention of a vacant house (Page 28 para 19—Audit Report).*—The Auditor-General did not press this objection and said that there could be a genuine difference of opinion. The para was dropped.

89. *Irregular expenditure on the peon of a Mission by treating him as on temporary duty in another mission. (Page 28, para 20—Audit Report).*—The Auditor-General pointed out that a peon was sent on tour in 1965 from one mission to another. *Ex-post facto* sanction was given to the creation of a temporary post of a peon to accommodate him in January, 1975 for the period from 8th October, 1965 to 6th March, 1966. Audit observed that his transfer had not been made in the public interest. The Ministry stated that it was for the administrative authority and not for Audit to judge whether the strength

of peons at the latter mission (Baghdad) was sufficient or not. The Auditor-General also stated that he would not have brought the para before the Public Accounts Committee had the Ministry not taken the plea that the Auditor-General is not competent to object to this administrative matter. The Chairman said that this is a matter which relates to money as well as the audit of accounts and the objection raised by the Auditor-General was therefore valid. The departmental representative admitted that it was an irregularity. Thereupon the Committee decided to drop the para.

90. *Mis-appropriation of Government money Rls. 11,16,680 (Rs. 70,900) (Page 29, para 21—Audit Report).*—The Auditor-General pointed out that in the Mission at Tehran, the Cashier embezzled Rs. 70,900 in 1967-68. The departmental representative stated that the position now is that enquiry has been completed and the official concerned had been found guilty by the Inquiry Officer, and now the stage of penalty has come.

91. The Chairman stated that, if the official concerned is found guilty, then action must be taken against him.

92. *Non-recovery of Income-Tax from locally recruited Pakistan Nationals. (Page 30, para 25—Audit Report).*—Auditor-General pointed out that Government issued orders in April, 1964 to deduct Income-tax from the salaries of locally employed Pakistan nationals in our missions. The Ministry sought clarification from the C. B. R. on the formula for calculating taxable income and relief etc. The case remained under correspondence from 1964 to 1972 and, in the meantime many such employees of our missions in Germany left service without paying any income tax.

93. The Chairman remarked that deductions from their salaries must have been started and, if the decision had been in their favour, then the money could be refunded to them.

94. *Extra expenditure for transportation of personal effects on transfer \$ 1,068. (Page 31, para 26—Audit Report).*—The Auditor-General brought to the notice of the Committee that an officer in our mission in New York, on transfer, charged Government for transportation of baggage and insurance in excess of the permissible limit. This resulted in the additional expenditure of \$ 1,068. This was pointed out in June, 1967. The departmental representative stated that they had now an order which allow them to adjust these on the basis of decision taken recently by them. Thereupon, the Auditor-General stated that he would look into the case and see if there was anything to be recovered.

95. *Payment of honoraria without valid reasons (Rs. 22,760)—Page 33, para 34—Audit Report.*—The Auditor-General informed the Committee that the condition for payment of honorarium amounting to Rs. 22,760 to certain staff had not been complied with. The matter had been referred to the Ministry of Finance. The departmental representative stated that now they had got the approval. The Chairman directed that this matter be re-examined and referred to the Ministry of Finance, if necessary. The departmental representative promised to do so.

96. *Irregular re-imbusement of charges for dental treatment etc. (Rs. 3,974)—(Page 33, para 35—Audit Report).*—The Auditor-General informed the Committee

that during the course of local inspection of the accounts of our Embassy at Beirut for the years 1966 to 1969, it was noticed in January, 1970, that Rs. 3,974 had been paid for dental treatment, not covered by the rules. Subsequently, Audit conceded that Rs. 1,285 were in fact admissible, and only an amount of Rs. 1,093 remained to be recovered.

97. Subject to verification of recovery by Audit, the Committee decided to drop the para.

98. The Committee then adjourned to meet at 10.00 A.M. on the 18th September, 1976.

M. A. HAQ,
Secretary.

ISLAMABAD :
The 7th December, 1976.

MINUTES CONTAINING THE DECISIONS|RECOMMENDATIONS OF THE
PUBLIC ACCOUNTS COMMITTEE

3rd Meeting

99. The Public Accounts Committee met in the State Bank Building, Islamabad, at 10.00 A.M. on the 18th September, 1976.

Members present were:—

- | | | | | | |
|--|----|----|----|----|-----------|
| 1. Rana Muhammad Hanif Khan, Minister for Finance, Planning and Development | .. | .. | .. | .. | Chairman. |
| 2. Rai H izullah Khan | .. | .. | .. | .. | Member. |
| 3. Ch. Shafaat Khan Chohan | .. | .. | .. | .. | Member. |
| 4. Mr. Hakim Ali Zardari | .. | .. | .. | .. | Member. |
| 5. Prof. Ghafoor Ahmad | .. | .. | .. | .. | Member. |

National Assembly Secretariat.

1. Ch. Muhammad Ilyas, Additional Secretary.
2. Mr. Akhtar Hasan, Joint Secretary.
3. Mr. I. H. Siddiqi, Deputy Secretary.
4. Mr. Abdul Halim, Assistant Secretary.

Audit Representatives.

1. Mr. Abdul Hamid, Auditor-General of Pakistan.
2. Mr. Zahiruddin Jeddy, Deputy Auditor-General (A&R).
3. Mr. Mashkoor Ahmad Khan, Accountant-General, Pakistan Revenues.
4. Syed Ahmad Jan, Audit Officer, Industries, Supply and Food.

Ministry of Finance Representatives

1. Qazi M. Alimullah, Joint Secretary, Finance.
2. Mir Bakhsh Zafar, Deputy Secretary (Budget).

100. The Committee took up examination of Grants controlled by the President's Secretariat (Personal and Public).

1976-71

PRESIDENT'S SECRETARIAT (PERSONAL AND PUBLIC)

Departmental Representative

Mr. Riazur Rehman, Joint Secretary,
Prime Minister's Secretariat (Public).

APPROPRIATION "STAFF, HOUSEHOLD AND ALLOWANCES OF THE PRESIDENT"
SUB-HEADS "H" TO "J"

101. The Auditor-General stated that the President's Secretariat should have surrendered the savings in time. He, however, added that it was an old story. Thereupon, the Committee dropped the objection.

102. *General.*—As regards the desirability of appearance of representative before the Public Accounts Committee of a Ministry who was not required to explain any audit observation, the Auditor-General stated that he proposed to discuss with the Secretary, National Assembly, that where there was no material point for discussion, then any Senior Class I Officer, representing the Ministry may come who may be available to answer any question, if any, from any member of the Committee, but where there was any material point for discussion then of course it should be represented by the Secretary of the Division.

CABINET SECRETARIAT

1970-71

CABINET DIVISION

Departmental Representative

Mr. Muhammad Nawaz, Special Secretary.

APPROPRIATION ACCOUNTS

103. *Grant No. 12.*—There was no material point for discussion by the Committee.

ESTABLISHMENT DIVISION

Departmental Representative

Mr. K. Mahmood, Special Secretary.

APPROPRIATION ACCOUNTS

104. *Grant No. 13.*—The Auditor-General stated that version put forth by the Establishment Division had been found correct. He, therefore withdrew the paras of the 'Brief'.

MINISTRY OF RAILWAYS

1970-71

Departmental Representative

Shaikh Anwar Hussain, Joint Secretary.

105. *Grant No. 21 (Head A-2).*—The Auditor-General pointed out that there was a small difference of figures. That may be due to inefficiency in A.G's Office or in the offices of the administrative authorities. As the difference of figures was not much the Committee might not spend time over it. This was agreed to by the Chairman.

MINISTRY OF RELIGIOUS AFFAIRS AND MINORITY AFFAIRS

Departmental Representative

Mr. Tajammal H. Hashmi, Secretary.

1970-71

APPROPRIATION ACCOUNTS

1. Grant No. 57 (Minor head 'E').
2. Staff, Household and Allowances of President (*Sub-head 'K'*).

106. As there was no material point under this head, no discussion took place.

1970-71

**MINISTRY OF FOOD AND AGRICULTURE INCLUDING
REHABILITATION**

Departmental Representatives

1. Dr. M. Yaqoob Bhatti, Additional Secretary.
2. Mr. S. A. S. Rizvi, O.S.D. (F&A).

APPROPRIATION ACCOUNTS

107. *Grants No. 1 and 4.*—The Auditor-General stated that there were some discrepancies between the figures of the Ministry of Food and Agriculture and record maintained by the office of A.G. which they could not reconcile. The Auditor-General suggested that he should not waste time of the Committee. He will come up again if ultimately there was a big difference between the figures of Audit and the Ministry.

108. *Grant No. 10.*—As the topic of belated adjustments, brought out in this para of the 'Brief', which was so often discussed in the past meetings, the Committee decided to drop the para of the 'Brief'.

109. *Grant No. 11.*—The Auditor-General observed that Accounts figures have since been accepted and the variations explained in time by the Ministry. The Committee accepted the departmental explanations.

110. *Grant No. 98 (Excluding Group Head 'K').*—The Committee directed the Auditor-General to settle this para and to come up again if the discrepancies were not resolved.

111. *Grant No. 100.*—The Committee accepted the departmental explanation and dropped this item.

112. *Grant No. 101.*—While explaining the over-all saving of Rs. 22.44 lac under this grant, the Ministry had pointed out the savings due to (i) economy cut (Rs. 3 lac) and (ii) amount surrendered (Rs. 10 lac) could not be accounted for by the A.G.P.R. for want of a formal Audit order, which was actually issued on 29th June, 1971. The Auditor-General directed Mr. Mashkoor Ahmad Khan, the A.G.P.R. to find out the real truth that who is at fault whether his office or some other Department.

113. *Grant No. 104.*—The Committee accepted the departmental explanations and dropped the item.

AUDIT REPORT

1970-71

114. (Para 13, pages 24-25—Audit Report) Delay in disposal of un-serviceable vehicles, spares of Air crafts and other stores valuing Rs. 9,51,424.—After hearing the departmental representative, the Committee decided to drop the para.

115. During the course of discussion, the Chairman pointed out that something must be done to dispose of stores which become un-serviceable, as early as possible. He further observed that if such items were disposed of early, they would fetch much more money.

116. Transfer of a Government project to a private Society without prior settlement of the terms and conditions costing Rs. one crore and forty-one lacs (Para 14, pages 25-26—Audit Report).—After detailed discussion, the Chairman directed the departmental representative to finalize this case, one way or the other, expeditiously.

117. Mis-use of Government money amounting to Rs. 72,926. (Para 15, page 26-27—Audit Report).—The Committee was satisfied with the present procedure adopted by the Department since May, 1973 and decided to drop the para.

118. Loss due to delivery of gunny bags in excess of declared quantity—(Para 16, page 27—Audit Report).—After hearing the departmental representative, the Committee decided to drop the para.

CONSIDERATION OF THE REPORT OF THE SUB-COMMITTEE REGARDING LOSS OF RS. 23 LAC ON ACCOUNT OF DEFECTIVE STORAGE OF RICE. (PARA 4, PAGE 46 OF AUDIT REPORT 1968-69).

119. The Sub-Committee directed the departmental representative to enlighten the Committee about the loss of 4,000 tons of rice shown as shortage and whether the damaged quantity of rice (2,732 tons) had been auctioned or really got damaged beyond reconditioning.

120. The report was received from the Food and Agriculture Division which was read out by the Auditor General to the Members of the Committee. In the report the Ministry stated that the shortage mainly occurred due to dry age and deterioration in long storage in the open. The quantity accounted for as shortage is 3,962 tons which is 1.1% of the total receipt. As regards the damage of 2,732 tons, the Ministry stated that this quantity was severely damaged by rains and was not auctioned nor it could be re-conditioned. The cost of stocks were, therefore, written off and the stocks were dumped into sea by the Karachi Port Trust (on behalf of the Ministry) who were paid their bill of Rs. 2,700 on this account in November, 1965.

121. The losses on account of shortage and damages have been written off with the concurrence of the Ministry of Finance *vide* their sanction letter No. RP-30 (8)62, dated the 16th January, 1970.

122. The Auditor-General stated that the question relating to dry age was a highly technical point which he could not comment upon.

123. The Committee decided to close this case in view of the losses written off by the Ministry of Finance.

124. The Public Accounts Committee then adjourned *sine die*.

MUHAMMAD ILYAS,
Additional Secretary.

ISLAMABAD :
The 7th December, 1975.

ANNEXURE II
NOTIFICATION REGARDING CONSTITUTION OF *AD HOC*
PUBLIC ACCOUNTS COMMITTEE

(See para 3 of the Report)

GOVERNMENT OF PAKISTAN

FINANCE DIVISION

NOTIFICATION

Islamabad, the 25th March, 1978

S. R. O. 313 (I)'78.—In pursuance of the Proclamation of the fifth day of July, 1977, read with clause (1) of Article 2 of the Laws (Continuance in Force) Order, 1977, (CMLA Order No. 1 of 1977), the President is pleased to constitute an *Ad-hoc* Public Accounts Committee for examining the appropriation and other accounts of the Government of Pakistan and the Reports of the Auditor-General thereon and for dealing with the unfinished business of the Standing Committee on Public Accounts of the National Assembly of Pakistan dissolved on the fifth day of July, 1977, consisting of the following namely:—

- | | |
|--|------------------|
| (1) Adviser for Finance and Economic Affairs .. | <i>Chairman.</i> |
| (2) Mr. M. H. Zuberi, former Secretary to the Government of Pakistan | <i>Member.</i> |
| (3) Mr. Mushtaq Ahmad, former Auditor General of Pakistan | <i>Member.</i> |
| (4) Mr. Abdul Qadir, former Chairman, Railway Board .. | <i>Member.</i> |
| (5) Mr. Yusuf Bhai Mian, Chartered Accountant .. | <i>Member.</i> |

2. (1) In scrutinising the appropriation and other accounts of the Government and the reports of the Auditor-General thereon, it shall be the duty of the Committee to satisfy itself—

- (a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;
- (b) that the expenditure conforms to the authority which governs it; and
- (c) that every re-appropriation has been made in accordance with the provisions made in this behalf under the rules framed by the Ministry of Finance.

(2) It shall also be the duty of the Committee—

- (a) to examine the statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes, concerns and projects together with the balance sheets and statements of profit and loss accounts which the President may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme or concern or project and the report of the Auditor-General thereon;

- (b) to examine the statement of accounts showing the income and expenditure of autonomous and semi-autonomous bodies, the audit of which may be conducted by the Auditor-General either under the directions of the President or under an Act of Parliament; and
- (c) to consider the report of the Auditor-General in cases where the President may have required him to conduct the audit of any receipts or to examine the accounts of stores and stocks.
- (3) If any money has been spent on any service during a financial year in excess of the authorised grant or appropriation for that purpose, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendations as it may deem fit.

3. The National Assembly Secretariat will function as the secretariat of the *Ad-hoc* Public Accounts Committee.

[F. 2 (8)-B/77.]

QAZI M. ALIMULLAH,
Joint Secretary.

FINANCE DIVISION*Islamabad, the 26th July, 1978*

S. R. O. 940 (I)78.—In pursuance of the Proclamation of the fifth day of July, 1977, read with clause (1) of Article 2 of the Laws (Continuance in Force) Order, 1977 (CMLA Order No. 1 of 1977), and in partial modification of the orders contained in S. R. O. No. 313 (I)78, dated 25th March, 1978, the President has been pleased to appoint Mr. A. G. N. Kazi, presently the Governor, State Bank of Pakistan as chairman of the *Ad-hoc* Public Accounts Committee.

[F. 2 (8)-BV/77.]

QAZI M. ALIMULLAH,
Joint Secretary (Budget).

FINANCE DIVISION**NOTIFICATION***Islamabad, the 14th October, 1978*

S. R. O. 1217 (I)78.—In pursuance of the Proclamation of the fifth day of July, 1977, read with clause (1) of Article 2 of the Laws (Continuance in Force) Order, 1977 (C.M.L.A. Order No. 1 of 1977), the President is pleased to direct that, in the Finance Division's Notification No. S. R. O. 313 (I)78, dated the 25th March, 1978, the following amendment shall be made and shall be deemed always to have been so made, namely:—

In the aforesaid Notification, after paragraph 2, the following new paragraph shall be inserted, namely:—

“2A. The quorum to constitute a sitting of the Committee shall be three.”.

[E. 2(8)-BV/77.]

INAM-UL-HAQ,
Joint Secretary (Budget).

ANNEXURE III
PROCEEDINGS
OF
***AD HOC* PUBLIC ACCOUNTS COMMITTEE**

(37-38)

NATIONAL ASSEMBLY SECRETARIAT

PROCEEDINGS OF THE MEETINGS OF THE AD-HOC PUBLIC ACCOUNTS COMMITTEE

4th October, 1978

1st Meeting

125. The *Ad-hoc* Public Accounts Committee, set up by the Finance Division Notification dated the 25th March, 1978, met at 10 A.M., on Wednesday, the 4th October, 1978 in Committee Room No. 1, State Bank Building, Islamabad.

The following were present:—

Ad-hoc PAC

1. Mr. A. G. N. Kazi,
Governor, State Bank of Pakistan *Chairman.*
2. Mr. Masarrat Hussain Zuberi, former Secretary to the
Government of Pakistan *Member.*
3. Mr. Abdul Qadir, former Chairman, Railway Board *Member.*
4. Mr. Yusuf Bhai Mian, Chartered Accountant. *Member.*

(The fifth member, Mr. Mushtaq Ahmed, former Auditor-General, did not attend reportedly because of illness).

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. I. H. Siddiqi, Deputy Secretary.
3. Mr. Abdul Halim, Assistant Secretary.

Audit

1. Mr. Abdul Hamid, Auditor-General of Pakistan.
2. Mr. Khalid Rafique Deputy Auditor-General.
3. Mr. Maashkoor Ahmad Khan, Accountant General, Pakistan Revenues.

Finance Division

Mr. Anwar Kabir Sheikh, Deputy Secretary.

DISCUSSION ON THE FIRST ITEM OF AGENDA "viz. GENERAL DISCUSSION"

Audit Brief

126. After the Chairman's opening remarks, Secretary, National Assembly informed the Committee that, at the instance of the previous PAC, the Auditor-General had been preparing Briefs to draw attention to more important irregularities pointed out in the Appropriation, Commercial Accounts and the Auditor-General's Reports. Discussions in the meetings of the Committee in the past had been mainly confined to Audit Briefs. However, the Committee did not, at any stage, forego their authority to discuss all or any of the paras in the

printed Reports or in the Appropriation Accounts, not included in the Audit Briefs. Ministries/Divisions had, accordingly, been informed, before this meeting, that they should come prepared for replies before the Committee in respect of all the paras in the printed Reports and Appropriation Accounts, etc., unless otherwise advised. The Committee endorsed this approach and action.

127. The Auditor-General stated that, so far as Appropriation Accounts were concerned, the National Assembly voted upon the Grants as a whole. Therefore, the Assembly should be generally concerned with excess of expenditure *vis-a-vis* the grants. The rest of the exercise by Audit was mainly to bring about financial discipline and budgetary control, which is primarily the concern of the Finance Division. Each Ministry/Division and Head of Department has been delegated some financial and administrative powers. They could, in their discretion but subject to the conditions prescribed by the Finance Division, re-appropriate funds from one unit of expenditure to another within the same grant, to regularise inter-unit savings and excesses. He submitted that, if there was an excess under a particular head and a saving under some other head in the same grant and the Department failed to regularise the excess by re-appropriation, it was perhaps not an irregularity of that serious nature, because the excess would have stood regularised, if re-appropriation had been made formally before the close of the financial year. Consequently, in order to save the PAC's time, irregularities of such a technical nature had not been included in the Briefs.

128. However, the PAC should be concerned with instances where appreciable savings may have occurred in a grant, as it could mean laxity of control over expenditure as well as poor budgeting. This could also indicate that the schemes approved by the Legislature had either not been taken in hand earnestly or their execution may have got delayed, resulting in the avoidable blockade of the saved Funds, which could be allocated to other pending projects.

Points not discussed to be treated as settled

129. Explaining the scope of the Briefs further, the Auditor-General said that the previous PAC had also decided that the points arising in the Appropriation/Commercial Accounts, etc., but not discussed by them, will be deemed to have been settled, subject to verification by Audit or regularisation by the competent authority, as called for.

130. The *Ad-hoc* Committee agreed that, generally, the procedures adopted previously may be followed, but the examination of accounts by the *Ad-hoc* PAC will be more comprehensive and not confined to only the points raised in the Briefs.

Interim Audit Report

131. Referring to the Interim Audit Report on the accounts of the Federal Government, the Auditor-General submitted that this Report had been prepared for the first time, in pursuance of the decision of the previous PAC taken on the 9th December, 1975 (para 73, page 180 of PAC's Report on the Accounts for 1968-69 and 1969-70). The decision required that all serious irregularities and improprieties, involving considerable loss to the exchequer, must be de-linked from the normal Appropriation Accounts, etc., Audit Reports and brought by the Auditor-General, without waiting for a complete examination of the entire accounts of that particular year, to the notice of the Public Accounts Committee. It was also decided at that time that the irregularities detected in the accounts up to 1973-74, and possibly 1974-75, should be covered initially.

132. Accordingly, the Audit observations made during the last about five years had been gone over quickly and the more important of them picked up for inclusion in the Interim Report.

Improvement in the form of preparation of budget estimates

133. The Auditor-General informed the Committee that a new classification for the preparation of budget estimates has been evolved by the Government. Under the new system, 'GROUPINGS', both in respect of the agencies incurring the expenditure and the expenditure actually incurred, have been introduced. Accordingly, various Government agencies have been grouped for this purpose. Similarly, the object of an expenditure has also been divided into various Major groups.

134. It is hoped that the budget will, in future, provide helpful information about the resources and their allocations for different types of expenditure by Major groups of spending agencies.

Delays in presentation of accounts

135. The Committee noticed that there had been an inordinate delay in the submission of accounts to the PAC. The presentation of accounts by the Auditor-General was about 6-7 years behind the schedule. Asked about the progress in regard to the presentation of accounts for the years subsequent to 1970-71, the Auditor-General informed the Committee that, normally, the report for any particular year should be ready between March and July of the subsequent year and, as soon as possible, printed and submitted to the President for being laid before the House and referred to the Public Accounts Committee. He stated that the Accounts for 1971-72 were ready and had been circulated by the Finance Division to Ministries etc., for their replies. Three out of eleven compilations relating to the Accounts for 1972-73 were under print. Those for the subsequent years were in various stages of preparation. The reasons for this inordinate delay in the presentation of Accounts to the PAC were explained to be as follows: -

- (a) Inadequacy of technical staff, unwillingness of staff for posting in Accounts Sections of A.G.'s office and for posting in distant localities and non-sanction of additional remuneration to those posted in such areas,
- (b) delay in receipt or replies from Ministries/Divisions on Audit paras,
- (c) delay in non-separation of 'Audit' from 'Accounts' and Decentralisation of Accounts.

136. The Committee expressed their deep concern on such an inordinate delay in presentation of Appropriation Accounts etc., and Reports of the Auditor-General thereon and observed that extra efforts shall henceforth have to be made by all concerned, so that the presentation of Accounts to the *Ad-hoc* PAC takes place in quick succession now and the back-log is wiped out in the shortest possible time.

Concern of PAC only with serious irregularities in appropriations

137. In so far as Appropriation Accounts etc., are concerned, the Committee expressed the view that PAC should not be too much concerned with routine examination of variations, namely, savings or excesses within a grant, as these can be regularised by Ministries etc., under their delegated powers.

The PAC should, on the other hand, be seriously concerned with instances of lack of control over expenditure excesses over and above the grants as whole, and particularly, flagrant violations of rules in the context of over-all allocations made by the Legislature.

138. Savings in a grant can be usually either in the service charges or on schemes. If the Legislature may have appropriated a grant for a particular project and the money may not have been spent, the Legislature was entitled to know, through the FAC, the reasons for its non-utilisation, as this could amount to circumventing the Legislature's objective. In this context, however, whether the savings were surrendered or not could be irrelevant.

Explanations for excess as being due to belated adjustments of expenditure should show corresponding saving in the past year

139. The Committee noticed that the usual departmental explanation in respect of excesses over sanctioned grant was that adjustment of expenditure, pertaining to the preceding financial years, in that particular year. The Committee wanted it to be laid down that such an explanation could be acceptable only if the department concerned could show a corresponding saving in the financial year to which the belatedly adjusted expenditure was claimed to pertain. Thus alone could the Department, establish that savings on account of committed expenditure were not appropriated for incurring expenditure on unspecified items.

140. The Committee was of the view that the expenditure, for which a debit is expected but is not received before the close of the financial year, the Departments must surrender the amount within that year and seek a corresponding allocation of funds for the anticipated debit in the following year, to avoid excess in grants.

Representation of Finance Division at the PAC meetings

141. The Committee noticed that the Finance Division was represented at the meeting by a Deputy Secretary. The Chairman observed that the deliberations of the Public Accounts Committee being very much the concern of the Finance Division, the latter should be requested to raise the level of their representation in the meetings of the *Ad-hoc* PAC to at least that of an Additional Secretary. This was particularly necessary, as the Committee, at times, needed the views and advice of the Finance Division on important issues|points arising during the discussions.

Quorum of Ad-hoc PAC

142. The *Ad-hoc* PAC was set up by the Government under the Finance Division Notification dated 25th March, 1978 which did not specify any quorum for a sitting of the Committee. The members of the Committee present said that, in the absence of mention of any quorum in the Notification, the non-presence of even one of the five members of the Committee in a sitting may render the proceedings to be null and void. The Committee suggested that the original Notification may be got amended immediately, to remove this omission and that the new provision be deemed to have existed as from 25th March, 1978.

Summing up by Chairman

143. The Chairman finally summed up the General Discussion and observed that the following material issues, which had emerged out of the discussions, needed a careful study by the Finance Division and the Auditor-General, in the first instance :—

- (i) *Inordinate delay in presentation of accounts and their format.*—There is an inordinate delay in the presentation of accounts. Four years seem to have become the rule. The delay now is even greater. This position is neither happy nor acceptable to the Committee. The Committee would like this matter, and particularly the queries below to be given a serious thought by the Finance Division and the Auditor-General :—
 - (a) How could the back-log be liquidated at the earliest possible date and the situation brought to normalcy ?
 - (b) How could the accounts be presented in a simpler and more lucid form than at present, so that they could be comprehended more easily? What should be the format of the Appropriation and other accounts to achieve this objective ?
 - (c) To curtail delay, could the Accounts|Reports to be prepared by the Auditor-General be cyclostyled and circulated instead of being printed in each case ?
- (ii) *Scope of Audit.*—To what extent should the Auditor-General be required, with reference to his Charter, to comment on irregularities noted in any omission or commission of the Government, as distinct from those of any particular Ministry|Department. Whether any modification in the charter was called for to make the report of the Auditor-General more realistic and factual ?
- (iii) *Decentralisation etc. of accounts.*—Position of decentralisation of accounts as well as separation of "Accounts" from "Audit" needs thorough examination.
- (iv) *Surrender of savings.*—The advisability of the existing orders under which savings, occurring in a grant, had to be surrendered by Ministries etc., by the last day of the financial year, when they could not be allocated to anyone else, needs to be reviewed. Whether surrender of surplus funds should not be appropriately prescribed to take place at least three months before the close of a financial year, *i.e.*, by the 31st March, instead of the 30th June? Whether any useful purpose was being served by surrender of savings under the present arrangements ?
- (v) *Cash payment in lieu of book adjustment in inter-departmental transactions.*—To improve budgetary control and settlement of accounts by the end of each financial year, the question of introduction of system of cash payment in inter-departmental transactions, instead of booking of expenditure through debits, should be seriously examined.

- (vi) *Carrying forward of grants beyond financial year.*—It was made out that in some foreign countries, funds in respect of expenditure, formally committed before the end of the financial year, do not lapse but are allowed to be carried forward for 12 months thereafter. Could this system be adopted here in any form, for improving the accounts and avoiding excesses in grants on account of belated post-surrender adjustments of expenditure relating to the past year?
- (vii) *Liquidating Suspense Account.*—The Committee noticed that huge sums were lying unadjusted in "suspense" accounts. No serious effort appeared to have been made, so far, to liquidate these amounts, by transfer to appropriate heads of account. The amounts were continuing to mount, from year to year, without any visible sign of liquidation. The Committee expressed their deep concern over this state of affairs and desired that serious effort must be made by all concerned to clear the suspense account, as expeditiously as possible. The Committee desired that a practicable procedure to eliminate accumulations in suspense account, may be devised and the Finance Division may have this issue examined, in consultation with the Auditor-General.

144. *Working paper to be prepared by Finance Division, in consultation with Auditor-General.*—The Committee desired that one or more working papers on the points set out in para 143 (i) to (vii) above be prepared by the Finance Division and the Auditor-General, and presented to the Committee at its next session, scheduled for 18th November, 1978.

145. Other decisions of general applicability are contained in Annex VI to the Report.

DECISIONS AND RECOMMENDATIONS OF THE *Ad-Hoc* PUBLIC ACCOUNTS COMMITTEE, ON EXAMINATION OF GRANTS CONTROLLED BY VARIOUS MINISTRIES/DIVISIONS.

146. Secretary, National Assembly informed the Committee that the Additional Secretary incharge of Kashmir Affairs and Northern Affairs Division was inescapably out of headquarter and the Division will, therefore, be represented by the Joint Secretary. Similarly, there being no material point in the accounts pertaining to the States and Frontier Regions Division, that Division desired to be represented at the level of Deputy Secretary. The Committee agreed to the above representations.

147. The Committee were further informed that the Environment and Urban Affairs and Works Division had also informed that their Secretary would be out of the country on the 11th October, when their Accounts were scheduled to be examined by the Committee. In view of the importance of accounts of the above Divisions, the Committee decided that the same may be examined at a subsequent meeting, to be convened on the 18th November, 1978 when the Secretary, Ministry of Urban Affairs and Works is also present.

148. The Committee then took up the examination of accounts of individual Ministries/Divisions etc., listed on the Agenda for the day.

INTERIOR DIVISION

149. The second item on the Agenda was examination of the following accounts in respect of Grants controlled by the Ministry of Interior:—

- (i) Appropriations and other accounts and Reports relating to 1970-71.
- (ii) Interim Report on serious irregularities (Page 25).
- (iii) Reports about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the Report on accounts for 1968-69 and 1969-70.

150. The following Departmental Representatives were present:—

1. Mr. M. Z. A. Temuri, Additional Secretary.
2. Mr. Rahatullah Khan, Joint Secretary.
3. Mr. Faiz Mohammad, Deputy Secretary.

151. This Division controlled the following grants:—

| S. No. | Name of Grant | Grant No. |
|---------------------------|---|-----------|
| 1. | Home Affairs Division | 67 |
| 2. | Passport Organisation | 68 |
| 2-A. | Civil Defence | 69 |
| 3. | Other expenditure of Home Affairs Division | 70 |
| <i>Civil Armed Forces</i> | | |
| 4. | Frontier Regions (excluding groups heads, A-1, A-4, A-7, A-15, A-17 and C. 3 of Account-I and all Account-II) | 74 |
| 5. | Development expenditure of States and Frontier Regions Division | 125 |

152. Initiating the discussion, the Auditor-General explained that 1970-71 and 1971-72 were abnormal years for Pakistan, during which Bangladesh came into being. Due to dislocation of means of communications etc. between the then two wings of Pakistan, adjustments of receipts and expenditure pertaining to the East Pakistan Circle of Account, could not be carried out in the account books of West Pakistan. Accordingly, the Appropriation Accounts of the grants, where transactions in East Pakistan Circle of Account were involved, did not exhibit the figures of actual expenditure against the final grant. The Auditor-General informed the Committee that they will often come across such instances while examining the accounts for 1970-71 and 1971-72. He requested the Committee to over-look such variations in the appropriations as, for reasons beyond his control, he could not vouch safe the correctness of the figures. The Committee appreciated the point made by the Auditor-General and agreed with him.

APPROPRIATION ACCOUNTS 1970-71

153. *Grant No. 67.*—The Committee desired to have complete details of the expenditure of Rs. 2,90,457 under the sub-head "A-4-Other Charges" from the Interior Division. The departmental representative promised to furnish the same.

Note:—The information was received from the Division the following day and circulated to the members of the Committee, who had no comment to make on it.

154. *Grant No. 68.*—The Auditor-General pointed out that there was a saving of Rs. 7.44 lac under this grant. Ignoring the amount relating to East Pakistan, i.e., Rs. 5.77 lac, there was a net saving of Rs. 1.67 lac under sub-heads "A-2" "A-3", and "A-4" counter balanced by an excess under the sub-head "A-1" (Rs. 16,581).

155. It was explained that the saving was due to certain post having remained vacant because of non-availability of suitable candidates, non-payment of rest and recreation allowance and belated payments of telephone bills and printing charges of passport-booklets, etc.

156. The Committee took a serious view of the non-surrender of savings. After hearing the departmental representative, the Committee did not decide upon any further action in the matter.

157. *Grant No. 69.*—There was no material point for consideration by the Committee.

158. *Grant No. 70.*—The Auditor-General pointed out that there was a saving of Rs. 4.50 crore against the final grant of Rs. 7.43 crore. After excluding the amount relating to the former East Pakistan (Rs. 3.99 crore) and the amount surrendered (Rs. 82 lac), the saving had been got technically converted into an excess of Rs. 10 lac, which was due to non-adjustment of expenditure relating to Civil Armed Forces, raised in the Western Wing for East Pakistan.

159. The departmental representative explained that the Government had sanctioned this grant for the East Pakistan Rifles, but the intention was to make recruitments in West Pakistan and get payments effected by the Accountant-General, Punjab. The expenditure was to be transferred to East Pakistan Circle of Account. This could not, however, actually materialise. Therefore, there was an excess of Rs. 4.43 crore in West Pakistan. After hearing the departmental representative, the Committee did not make any further observation.

160. *Grant No. 74.*—There was no material point for discussion under this grant.

161. *Grant No. 75.*—The Auditor-General pointed out that there was an overall saving of Rs. 52.16 lac in this grant. Out of this amount, Rs. 18.37 lac had been surrendered, leaving a balance of Rs. 33.79 lac. A cut of Rs. 28.89 lac was imposed due to operational shortfall in financing the Central A.D.P. The balance of Rs. 4.90 crore could not be surrendered due to non-receipt of figures of Pak. P.W.D. by the close of the financial year.

162. The departmental representative stated that the P.W.D. had intimated them that they expected to buy cement, which they could not procure during the year. They, however, did not intimate their failure to the Interior Division. Therefore, the Division could not surrender the savings. It was found only on the receipt of the accounts that there was a saving in the grant. The Chairman observed that this was a technical irregularity.

AUDIT REPORT

163. *Expenditure incurred in excess of Grants (Page 4, S. No. 27—Audit Report).*—An expenditure of Rs. 1,14,51,453 was incurred in excess of the grant. It was explained that the government had sanctioned the raising of Wings of the East Pakistan Civil Armed Forces by the West Pakistan Rangers, on the conditions that, although the expenditure would ultimately be debitabale to the East Pakistan Circle of Accounts, the funds for the purpose will be operated upon under the Audit control of the Accountant-General, West Pakistan.

164. Accordingly, expenditure on the new raisings were incurred and the accounts were maintained by the Accountant-General, West Pakistan but, due to the conditions then prevailing in East Pakistan, the amount could not be transferred for final adjustment in the books of the Accountant-General, East Pakistan. Hence the excess. The Committee was satisfied with the explanation.

INTERIM AUDIT REPORT

165. *Drawal of Rs. 90,000 in anticipation of requirements (P. 25—Interim Audit Report).*—An Organisation drew Rs. 90,000 in anticipation of its requirement in May, 1973 for providing furniture and fixtures in the mess building, which had yet to be constructed. This was done obviously to avoid lapse of funds. The amount was kept in a bank in "Fixed Deposit" and deposited in the treasury in September, 1976.

166. The departmental representative stated that the Organisation had received the above mentioned amount when the mess was under construction and the financial year was out. However, the money was refunded to the Government along with interest. He informed the Committee that the Director-General had admitted his mistake. The objection was, decided by the Committee to be dropped.

167. *Compliance in respect of Report on accounts for 1968-69 and 1969-70.*—The Committee made no observation on the compliance furnished by the Division.

(a) STATES AND FRONTIER REGIONS DIVISION

168. The third item on the Agenda was examination of the following accounts etc., in respect of grants controlled by the then Ministry of States and Frontier Regions and Kashmir Affairs :

- (i) Appropriations and other accounts relating to 1970-71 and Report of Auditor-General thereon.
- (ii) Reports about compliance on *specific* as well as *general* recommendations|directives, etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70.

169. The following Departmental Representatives were present :

1. Mr. Ramizul Haque, Deputy Secretary.
2. Mr. Umer Daraz Khan Lodhi, O.S.D.

170. This Division controlled the following Grants:—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|---|------------------|
| 1. | States and Frontier Regions Division | 73 |
| 2. | Frontier Regions (Group heads A-1, A-4, A-7, A-15, A-17 and C-3 of Account-I and Sub-head C-5 of Account-II only) | 74 |
| 3. | Centrally Administered Tribal Areas | 74 A |
| 4. | Privy Purses | — |
| 5. | Other expenditure of States and Frontier Regions Division | 75 |
| 6. | Development Expenditure of Centrally Administered Tribal Areas | 125-A |
| 7. | Capital Outlay on Development of Tribal Areas | 126 |

171. There was nothing in particular to be asked for from the States and Frontier Regions Division.

(b) KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION

172. This Division controlled the following Grants:—

| <i>Sl. No.</i> | <i>Name of Grants</i> | <i>Grant No.</i> |
|----------------|---|------------------|
| 1. | Kashmir Affairs Division | 71 |
| 2. | Other expenditure of Kashmir Affairs Division | 72 |
| 3. | Frontier Regions (A/C II excluding group-heads C-1 and C-5) | 74 |
| 4. | Capital Outlay on purchases by Kashmir Affairs Division | 76 |
| 5. | Development expenditure of Kashmir Affairs Division | 124 |

173. The following Departmental Representatives were present :

1. Mr. Muhammed Shafiq, Joint Secretary.
2. Mr. Zafrullah, Director, Civil Supplies and Transport for A.K. & N.A.

APPROPRIATION ACCOUNTS

174. *Grant No. 71.*—The Auditor-General informed the Committee that certificates mentioned in paras 204 and 206 of the Audit Brief had since been received from the Division.

175. *Grant No. 72.*—The Auditor-General pointed out that Rs. 11,93,760 had been surrendered against a total saving of Rs. 10,86,624, resulting in an overall excess of Rs. 1,07,136. The main excess was under the sub-head "E4 (3)-Other Charges", which was stated to be due to post-surrender adjustment of debits on account of stores obtained from the Army during 1969-70.

176. The Chairman observed that there was no excess over the final appropriation.

177. *Grants No. 74 (A|C. II excluding Group head C-5) and 76.*—It was brought to the notice of the Committee that there was an excess of Rs. 8 lac in the grants due to adjustment of debits pertaining to past years. After some discussion, the Committee observed that—

- (a) it will improve budgetary control greatly if the Government decide to introduce the system of cash payments instead of booking of expenditure through debits in cases of inter-departmental transactions also. This would keep the accounts cleared and upto-date. Cheques could be drawn in favour of the department supplying stores or rendering service.
- (b) Wherever it is claimed that excess in grants against the sanctioned appropriation was due to adjustment of expenditure incurred in past year, the explanation could be accepted only if the department concerned could show a corresponding amount of saving in grant in the year to which the debit related. Otherwise, the presumption would be that, regardless of its commitment and the expected receipt of a debit after the actual surrender, the defaulting department had utilised the saving on other items of expenditure, which could reflect only poor budgetary control.
- (c) A member pointed out that, in some foreign countries funds allocated for any expenditure firmly committed before the end of the financial year, did not lapse but were carried forward for 12 months. It may be worthwhile examining the adoption of this course here, as it could go a long way in improving the reconciliation of accounts and preventing excesses in grants on account of belated post-surrender adjustments of expenditure relating to the past year(s).

178. *Grant No. 124.*—There was no material point for discussion in respect of this grant.

179. *Compliance in respect of PAC's Report on accounts for 1968-69 and 1969-70.*—A scrutiny of the compliance report revealed that not much progress had been achieved in settling the points raised in the Report on the accounts for 1968-69 and 1969-70, particularly the running accounts of the State Trading Scheme in Gilgit/Baltistan (Grant No. 76). The Committee desired to know the actual quantity and the value of stock, appearing in the account books of Kashmir Affairs Division as on 30th June, 1976, when the administration of Civil Supplies Deptt. relating to Azad Kashmir was taken over by the Government of A.J. & K. The departmental representative, who was unable to furnish the requisite information readily was asked to furnish the same later.

180. *Transit shortage of foodgrains Para 39—page 61 (Audit Report 1969-70) and Para 77—page 161 of PAC's Report (1968-69 and 1969-70).*—The Committee accepted the explanation of the Department subject to verification by Audit.

| Page/Paras | Audit Report | Page/Paras of PAC's report for 1968-69 and 1969-70 |
|------------|--------------|--|
| 86—129 | 1968-69 | 155 — 29 29 |
| 87—136 | 1968-69 | 157 — 38 39 |
| 88—137 | 1968-69 | 157 — 40 41 |
| 89—140 | 1968-69 | 157 — 44 45 |
| 90—145 | 1968-69 | 153 — 48 49 |
| 91—149 | 1968-69 | 159 — 52 53 |
| 61—38 | 1969-70 | 161 — 76 |
| 62—43 | 1969-70 | 162 — 81 |
| 63—46 | 1969-70 | 162 — 82 84 |

181. The Kashmir Affairs and Northern Affairs Division did not furnish compliance in respect of above paras as the work was reportedly stood transferred to Northern Area Works Organization (NAWO) under the Ministry of Defence. Audit was asked to check up the replies of the Ministry of Defence.

Note.—These replies were not furnished even by the Ministry of Defence and need to be furnished by them.

182. The Committee also desired the liquidation of 'Suspense account' and settlement of all other outstanding matters, in consultation with the Auditor-General expeditiously. The departmental representative assured the Committee that the trading account, transfer entries, book adjustments and regularisation of other outstanding issues will be settled in consultation with the Auditor-General, within six months.

MINISTRY OF SCIENCE AND TECHNOLOGY

183. The fourth item on the Agenda was examination of the following accounts in respect of Grants controlled by the Ministry of Science and Technology :—

- (i) Appropriations and other accounts and Report of the Auditor-General thereon relating to 1970-71.
- (ii) Reports about compliance on *specific* as well as *general* recommendations; directives etc. contained in the PAC's Report on accounts for 1968-69 and 1969-70.

Scientific and Technological Research Division

184. The following departmental representatives were present :—

1. Mr. Hasan Nawab, Joint Secretary.
2. Mr. Basit Hasan, Deputy Secretary.

185. This Division controlled the following grants :—

| Sl. No. | Name of Grant | Grant No. |
|---------|--|-----------|
| 1. | Zoological Survey Department | 3 |
| 2. | Scientific and Technological Research Division.. .. . | 38 |
| 3. | Other expenditure of Scientific and Technological Research Division (excluding group head 'A') | 39 |
| 4. | Medical Services (Group head 'C' only) | 61 |
| 5. | Development expenditure of Rehabilitation and Works Division (Group head 'K' only) | 99 |
| 6. | Capital outlay on Scientific and Technological Research (excluding Group head 'B') | 117 |
| 7. | Development expenditure of Natural Resources Division (Group head 'C' only) | 12 |

186. There was no material point for discussion in respect of the above grants.

187. *Compliance in respect of PAC's Report on Accounts for 1968-69 and 1969-70.*—The Committee made no observation on the compliance furnished by the Division.

188. Thereafter, the Committee adjourned to meet at 9.30 A.M., on the 5th October, 1978.

M. A. HAQ,
Secretary.

ISLAMABAD :
The 2nd December, 1978.

5th October, 1978

2nd Meeting

189. The *Ad-hoc* Public Accounts Committee met in the State Bank Building, Islamabad, at 9.30 A.M. The following were present:—

AD-HOC P.A.C.

- | | |
|---|------------------|
| 1. Mr. A.G.N. Kazi, Governor, State Bank of Pakistan | <i>Chairman.</i> |
| 2. Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. | <i>Member.</i> |
| 3. Mr. Abdul Qadir, former Chairman, Railway Board | <i>Member.</i> |
| 4. Mr. Yustif Bhai Mian, Chartered Accountant | <i>Member.</i> |

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. I. H. Siddiqi, Deputy Secretary.
3. Mr. Abdul Halim, Assistant Secretary.

Audit

1. Mr. Abdu Hamid, Auditor-General of Pakistan.
2. Mr. Khalid Rafique, Deputy Auditor-General (A&R).
3. Mr. Mashkooor Ahmad Khan, Accountant General, Pakistan Revenues.

Ministry of Finance

Mr. Inam-ul-Haq, Joint Secretary.

PRODUCTION DIVISION

190. The first item on the Agenda was examination of the following in respect of Grants controlled by the Ministry of Production:—

- (i) Appropriation and other accounts and report relating to 1970-71.
- (ii) Interim Report on serious irregularities (Page 26).
- (iii) Report about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

191. The Production Division controlled the following Grants:—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|---|------------------|
| 1. | Capital Outlay on Medical Stores | 66 |
| 2. | Capital Outlay on Steel Mills Corporation | 129 |

192. The following departmental representatives were present:—

1. Mr. Abdul Majid Mufti, Secretary.
2. Mr. Ziauddin Ahmad, Joint Secretary.

193. *Appropriation Accounts.*—There was no material point for discussion on this item.

COMMERCIAL ACCOUNTS

(Pages 293-294, Paras 323-324)

STATE CEMENT CORPORATION OF PAKISTAN

MAPLE LEAF CEMENT FACTORY LTD., ISKANDARABAD

194. The Auditor-General compared the financial position of the above mentioned Factory during 1970-71 and 1971-72 and pointed out that the Factory sustained a net loss of Rs. 9,31,868 during 1970-71, which came down to Rs. 1,31,278 during 1971-72. He further submitted that the factory's funds amounting to Rs. 88.79 lac were kept by the Managing Agents (WPIDC H.O.) whereas Rs. 48.69 lac were payable by the factory to the National Bank of Pakistan on 30th June, 1971. Interest @ $6\frac{3}{4}\%$ was payable to the Bank as against 6% receivable from the Managing Agents. The Factory thus sustained a loss of Rs. 36,000 which could be avoided if the loan taken from the bank was liquidated by withdrawing funds from the Managing Agents.

195. The Departmental Representative said that the system of purchase on the W.P.I.D.C. during those days was that requests of various units were bulked before purchases were made, money used to be drawn from companies concerned in advance, for this purpose. He stated that Rs. 92 lac worth of purchases were made by the Head Office on behalf of Maple Leaf Cement Factory Ltd. against Rs. 86 lac received from this Company.

196. Upon a remark of the Chairman that the W.P.I.D.C. should then admit that they were using one Company's money for another Company's purchases, the departmental representative admitted that this had happened only during 1970-71 and the E.C.C. had since passed a directive that there should not be any such transfer of funds in the future. Chairman observed that this practice must be eschewed in the future. If an advance was obtained from one company for being utilised for another, it would be done on a purely commercial basis and full interest charges paid to the Company loaning the money.

197. Mr. Bhai Mian, Member, pointed out that there was a duplication in the preparation of Commercial Accounts. The auditors had copied the report of the Directors and the Government auditors had further copied both, which was quite un-necessary and wasteful of time. He suggested that if a sufficient number of copies of the Accounts (P&L, A/C, balance sheets, etc.) together with the Reports of the Directors could be obtained, the compilation would be a small one comprising audit comments only. The Auditor-General promised to examine the feasibility of the suggestion. The Member also drew attention to the duplication of effort in having most of the commercial accounts audited by the Audit Department as well as Commercial Auditors. The Auditor-General explained that he had noticed this 'duplication' and had suggested to the Finance Division that the Charter of Commercial Auditors, which is set out in section 145 of the Companies Act, should be widened, so that the propriety of a transaction and the irregularity involved therein, if any, could also be brought out clearly by the commercial auditors in their report. The Committee endorsed this approach and desired that this may be pursued with the Finance Division.

ANTIBIOTICS PRIVATE, LIMITED, ISKANDARABAD

198. (Pages 145—325, paras 185—347—*Commercial Accounts*).—The Auditor-General pointed out that this Company had sustained a net loss of Rs. 14.76 lac during 1970-71, Rs. 5.98 lac in 1971-72 and Rs. 26.77 lac in 1972-73. It had come to notice that their purchases were not always prudent: for instance, an indent had been placed by mistake for material which was not required. After hearing the explanation of the departmental representative the Committee decided that no further action was needed in the matter.

W.P.I.D.C. BRANCH OFFICE, LAHORE

199. *Undue financial aid (Para 186, page 145—Commercial Accounts)*.—The Auditor-General stated that a bungalow was purchased in July 1968 at a negotiated price of Rs. 4.67 lac to be used as the guest house of the W.P.I.D.C. The owner was not able to give vacant possession of the said bungalow and afford another bungalow located in the same area. This was accepted by the W.P.I.D.C. at the same price, although the plot was much smaller and the accommodation lesser. The departmental representative explained that the second bungalow was much superior in construction and had been more luxuriously built. The Auditor-General complained that he had not been supplied with any material in the form of survey report etc., for either of the bungalows to support the contention that the smaller bungalow was better built.

200. After further discussion, Chairman remarked that, while purchasing a building the authority concerned must in the first instance, have it evaluated by experts and then the price of the building should be duly determined.

TALPUR TEXTILE MILLS, LIMITED TANDO MOHAMMAD KHAN

201. *Introductory (Para 778, page 736—Commercial Accounts)*.—The Auditor-General stated that Rs. 9,75,228 and Rs. 9,90,244 were recoverable from the *ex-Managing Agents* of the Mills. However according to the departmental representative, a case had been filed in the High Court and the matter was *sub-judice*. The Auditor-General observed that up-to-date losses were of the order of Rs. 82 lac and, if things were allowed to continue like this, losses are likely to pile up further.

BANNU SUGAR MILLS, BANNU

202. *Loss of raw material (Para 180, page 143—Commercial Accounts)*.—The Auditor-General stated that an agreement for the purchase of 15 lac maunds of sugar-cane was entered into in December, 1966 with a Corporation, located at a distant place, without bearing in mind the capacity of the Mills' transportation facilities and availability of local sugar-cane. Over 6½ lac maunds out of the contracted quantity could not be lifted by the due date, *i.e.*, February 1967 and compensation amounting to Rs. 5,33,893 had to be paid to the suppliers.

203. The departmental representative explained that sugar-cane was in short supply in Bannu when the Mills were commissioned while in Mardan, it was surplus and the local Mills were refusing to buy the same. The local growers of Bannu reacted adversely to any import from Mardan so much so that under section 144 Cr. P.C. the District Magistrate had to ban the entry of sugar-cane in Bannu from any outside district, to save the local situation.

204. The Chairman remarked that, if the District Magistrate had, in fact, issued an order under section 144 as stated, there was hardly anything which could be done to prevent the payment of compensation, supulated by the contractor. The para was dropped subject to verification by Audit.

W.P.I.D.C. FOREST OPERATION PROJECT, HYDERABAD

205. *Introductory (Para 792, page 760—Commercial Accounts).*—The Auditor-General stated that a Forest Operation Project was sponsored by W.P.I.D.C. with the specific objective of stabilising the prices of props and planks and maintaining their uninterrupted supply to its collieries. No proforma scheme was prepared on the ground that the project was not an independent industrial unit and it was only a purchase cell for the supply of props and planks to the W.P.I.D.C. collieries. The project was closed in April, 1973 without achieving its objective and after incurring a loss of Rs. 18.68 lac. The Committee did not propose to take any further action in this case.

DHARIALA POTASH FERTILIZER PROJECT, KHUJALA

206. *Expenditure in excess (Paras 507-508 page 494—Commercial Accounts).*—Audit pointed out that an expenditure of Rs. 107.42 lac was incurred on the scheme upto 30th June, 1971, against the approval of Rs. 25 lac by Government. The project which was started in March, 1965 was still incomplete when work was suspended in March, 1971. P.I.D.C. approached Government in January, 1975 to transfer the project to the National Fertilizer Corporation. The departmental representative stated that the amount was spent on survey and drilling of two wells.

207. The Committee noted with concern that an amount of about 82 lacs had been spent without a prior Government sanction. They considered it to be a fit case for being reported to the Government and recommended the initiation of departmental action against all those responsible for such a flagrant violation of rules.

208. On a query, the departmental representative informed the Committee that the project had been stopped and the Fertilizer Corporation had been asked to resolve the outstanding matters. They had since disposed of most of the assets, transferring assets worth Rs. 30 lac to the Oil and Gas Development Corporation and Rs. 2 lac to the Tarbela Dam Project.

H.M.C. TEXILA

209. *Loss due to a defective contract (Para 182, page 144—Commercial Accounts).*—The Auditor-General stated that in August, 1967 a Corporation entered into an agreement with a firm of consultants for preparing design etc., for a housing colony. The rate of fee, recommended by the Manager, was 6% for non-repetitive residential buildings and 5% for repetitive buildings. The Consultants represented that 5% for repetitive work on buildings was on the low side as some additional work would be necessary in foundation of the buildings. Their plea was accepted and the rate was fixed at 6%. The total cost of construction of the housing colony amounted to a little over Rs. 1.56 crore. The cost of units actually designed by the consultants however, worked out to about Rs. 22 lac only. The payment of fee to the consultants @ 6% of the cost appeared, in the circumstance, to be without merit and fortuitous.

210. The departmental representative explained that the contract stipulated a flat rate of 6%. According to their estimates, the consultants were demanding Rs. 14.79 lac whereas the Department agreed to pay @ 6% lump sum package rate of Rs. 12.65 lac. The payment was made under arbitration. The break-up of the total payment are not available as it was made in lump sum. He further informed the Committee that the arbitrator had himself left it open to the parties, in his award, that they could go to the Court, if they desired.

211. Since the consultants had gone to the Court, no further action was deemed by the Committee to be called for at this stage.

TIMBER PRESERVATION AND TREATMENT PLANT, HAVELIAN

212. *Running of Project at loss (Para 510, page 498—Commercial Accounts).*—The Auditor-General stated that this project was approved by Government in 1964 at an estimated cost of Rs. 13.50 lac, including a foreign exchange component of Rs. 4.25 lac. The work started in March, 1966 and completed in February, 1968. In 1970, the plant was closed down due to persistent losses. The commulative loss as on 30th June, 1971 was Rs. 11.35 lac.

213. The departmental representative explained that this was originally a Forest Department project but the Government arbitrarily decided that it should be taken over by the W.P.I.D.C. Due to rain and bad weather, the project did not work well. He also stated that the project had since been sold to the Sarhad Development Authority. The W.P.I.D.C. were asking for Rs. 40 lac but the Authority were offering only Rs. 6 lac for it. The departmental representative complained that it seemed that whenever the failure of such project was in sight the same was forced upon the WPIDC. The D.D.T. Plant installed by the Health Ministry and the Sutlaj Cotton Mills, run by Police Foundation, were other similar instances.

214. The Committee had no further observations to make.

TIMBER SEASONING PROJECT, PIRANWALA

215. *Expenditure in excess (Para 530, page 519—Commercial Accounts).*—The Auditor-General stated that this project had been completed in May, 1968. The actual expenditure was a little over Rs. 12.86 lac against the estimated cost of Rs. 4.50 lac approved by the Government. After the plant failed to compete with the commercial sector, it stopped its operation in August, 1970. Its winding up is still under consideration and wasteful expenditure is still being incurred on it. The net loss till the end of 1970-71 was Rs. 8.20 lac.

216. The departmental representative assured the Committee that this project would be wound up within six months.

INTERIM REPORT ON SERIOUS IRREGULARITIES

217. *Unjustified Payment of Rs. 2,19,680 to Clearing Agents (Page 26 Interim Audit Report).*—The Auditor-General stated that the Head Office of a certain Fertilizer Factory entrusted the clearance of 19,550 tons of rock phosphate from Karachi Port Trust to two different clearing agents, under Agreements executed with them on 29th January, 1974, and 11th March, 1974, respectively.

An extra payment of Rs. 2,19,680 was made on account of labour charges, KPT overtime fee for delivery on Sundays, Commission for discharges on Sundays and overtime discharges, including Sundays. These payments were not covered by any provision of the contract Agreements. He stated that under the Agreement of 1974, the rate was Rs. 9.35 per ton for day-time clearance and included for the stevedoring clearance and forwarding of the entire quantity and formalities of customs, etc. There was no mention anywhere about working on Sundays or holidays, and paying Rs. 40.50 per ton for night work which was about four times the normal day-time rate.

218. The departmental representative stated that it involved the unloading of ship in time, otherwise payment of demurrage, would have to be made.

219. The Chairman remarked that, even now, the Ministry was not clear about the urgency of the discharge. However, the Committee did not press the question further.

REPORT ABOUT COMPLIANCE ON PAC'S REPORT ON ACCOUNTS FOR 1968-69 AND 1969-70

220. *Amount recoverable from the Provinces against the sale proceeds of D.D.T.—(Paras 12-13, pages 38-39—PAC's Report for 1968-69 and 1969-70.—*Explaining the position, the departmental representative stated that the total amount recoverable against the sale proceeds of D.D.T. from the Provinces during 1968-69 was Rs. 62,13,687.84. However only Rs. 40,51,490.13 was received against the arrear during 1968-69. As directed by the previous PAC, the three Provinces, namely, the Punjab, Sind and Baluchistan had since cleared their liabilities. Rs. 64,38,000, recoverable up-to-date from N.W.F.P., was being repaid by them in monthly instalments of Rs. 2,32,346, and it will take about three years to clear their liability.

221. Asked by the Committee about the erroneous deposit of Rs. 34,39,170 in the Provincial Government Account, it was explained that this sum was deposited by the Provincial Malaria Eradication Programme, Lahore on 16th January, 1969. Later it was found that the amount in question had been erroneously credited to the Provincial Government account, instead of that of the Central Government. The departmental representative stated that, as soon as the error came to notice, action was initiated, in consultation with the State Bank, Treasury Office, Lahore and A.G., Punjab. Despite efforts and pursuing the matter with the Accountant-General, Punjab for its rectification, the error could not be eliminated so far.

222. The Auditor-General stated that this position had come to his notice very late. He promised to pursue it till reconciliation is effected.

INDUSTRIES DIVISION

223. The second item on the Agenda was examination of the following accounts in respect of grants controlled by the Industries Division:—

- (i) Appropriation and other accounts and Report relative to 1970-71.
- (ii) Interim Report on serious irregularities (Pages 20—23).

- (iii) Reports about compliance on *specific* as well as *general* recommendations|directives, etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

224. The Industries Division controlled the following Grants :—

| Sl. No. | Name of Grant | Grant No. |
|---------|---|-----------|
| 1. | Industries Division | 77 |
| 2. | Industries | 78 |
| 3. | Department of Investment, Promotion and Supplies .. | 79 |
| 4. | Other expenditure of Industries Division | 81 |
| 5. | Capital outlay on Miscellaneous Stores | 85 |
| 6. | Development expenditure of Industries Division .. | 127 |

225. The following departmental representatives were present :—

1. Mr. Allauddin Ahmad, Secretary.
2. Mr. G. M. Bajwa, Joint Secretary.

APPROPRIATION ACCOUNTS

226. At the outset the Committee expressed their dis-satisfaction over the manner in which replies to the Appropriation Accounts etc., had been prepared by the Division. They felt that the replies were generally unintelligible.

227. *Grant Nos. 77 and 127 (Pages 385-386;546-547).*—The figures were not acceptable to the Department and the Auditor-General expressed his inability to offer any observation at this late stage, as the discrepancy had not been pointed out to his office earlier. He, however, assured the Committee that he will look into it and, in case there was an agreement, no further action would be called for, otherwise he will submit report to the Committee.

228. During the discussion, the Chairman observed that most of the objections related to timely non-surrender of savings. The advisability of the existing orders under which saving, occurring in a grant, had to be surrendered by Ministries etc., by the last day of the financial year, when they could not be allocated to anyone else, needed to be reviewed. It may be usefully examined whether the surrender of surplus funds should not be appropriately prescribed to take place at least three months before the close of a financial year, *i.e.*, by the 31st March, instead of 30th June, so that the surrendered funds could be allocated to others in time. Let the Finance Division consider it.

229. *Grant Nos 78, 79, 81 and 85.*—There was no material point in these grants.

230. Coming to commercial accounts, the Committee noted that these accounts relating to Pakistan Industrial Technical Assistance Centre (PITAC) [Page 9 Para 17 (b) (vii)] had not been prepared in the proper form. The departmental representative explained that, though the accounts had been maintained in the departmental forms (Income and Expenditure Statement), they had not been maintained in commercial account forms, the reason being that the proforma for commercial accounts had yet to be prescribed by Audit.

231. The Committee desired that, if so, Audit may prescribe the commercial Accounts forms soon so that commercial accounts are maintained in the proper form.

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES

232. *Non-Recovery of Cost of Rejected Stores (Rs. 40, 275) (Para 1, page 20—Interim Audit Report).*—A contract was placed by a purchase organisation with M/s. Amir Brothers, Karachi, for supply of G.I. Pipes for the Contractor of Telegraph Stores, Karachi. On the receipt of stores, they were found defective and rejected by the consignee. The firm was allowed to take back the stores, valuing Rs. 40,275, against a Bank guarantee, for replacement. The firm failed to replace the stores and their Bank guarantee could not be encashed, as it had in the meantime been stolen from the file, may be because it was defective or a fake one.

233. The departmental representative conceded that the whole transaction was a fraudulent one. The dealing Assistant was dismissed from service for not having been vigilant. This case was now with the F.I.A. to find out if any other officials were involved. The Committee thought that it would have been better if the department had taken prompt action themselves, as the F.I.A. took time to send their reports.

234. The Committee noted that one and the same person had got two firms the Cosmopolitan Traders and Amir Brothers, registered with the Department in his name. Scrutiny had not been made by those concerned at the time of registration.

235. The Committee directed that the Industries Division should find out whether there have been other transactions in the name of some other registered firms, owned by the same person. If so, suitable action may be taken against the owner and the firms in question.

236. Concluding, the Committee expressed their concern over cases where a particular person, who may have failed to fulfil his contractual obligation in one contract, was able to secure other contract for different firms registered in his name. Contracts awarded in such circumstances were almost always found to be detrimental to Government interest.

237. The Committee further directed that the greatest possible care and vigilance must be exercised and due inquiry held about the *bona fides* etc., of a firm by the authorities concerned, before a firm is approved for registration. Cases of negligence by the staff in this matter should be punished severely.

238. *“Non-Recovery” of Risk Purchase Amount of Rs. 6,48,000 (Para 2, Page 20—Interim Audit Report).*—The Auditor-General pointed out that this case related to a period when prices of M.S. sheets were going up. Messers International Commercial Agencies, Karachi, who had been awarded the contract, asked for an extension in the date of supply of M.S. sheets to a Government department. The extension was refused and re-purchase was resorted to at the risk and cost of the contractor. The Department has not been able to recover the amount from the original contractor, so far. As the Department proposed to go to court for enforcing recovery, no further discussion took place.

239. The Auditor-General submitted that provisions relating to cancellation of a contract for non-fulfilment and re-purchase at the risk and cost of the earlier contractor needed to be reviewed as this exercise was almost always infructuous. It was common experience that Government departments are hardly ever able to realise the risk and cost money from the contractor, whose contract may have been cancelled for non-fulfilment.

240. The Committee agreed with the views of the Auditor-General.

241. *Non-Recovery of amount over paid (Rs. 1,06,930) (Para 3, Page 21—Interim Audit Report).*—The Auditor-General stated that a contract was placed by a Purchase Organisation with a firm in October, 1971, for supply of 115 long tons of tin ingots valuing £ 1,81,125 against an IDA Loan. As the firm failed to supply the balance quantity of 54 long tons, the order was cancelled at their risk and cost on 18th June, 1974. It resulted in a lapse of a proportionate amount of the loan.

242. The departmental representative stated that the firm, M/s. Cosmopolitan Traders, Karachi, was in existence and entrusted this case also to FIA seemed to be the only course, as the firm was involved in other cases also.

243. The Chairman observed that every possible effort must be made to recover the money from the contractors and due action should also be taken against the firm.

244. *Loss due to irregularities in the purchase of a Machine (Rs. 1,61,505) (Para 4, Page 22—Interim Audit Report).*—The Auditor-General stated that a shot blasting machine was purchased for the Director, Telegraph Stores, Karachi, at a higher price, in spite of the consent of the indenter to accept sand blasting machine. Components of the machine, however, could not be ordered due to shortage of foreign exchange. Had the sand blasting machine, been purchased instead of the short blasting machine, the complete machine, with all the components could have been obtained within the foreign exchange available.

245. The departmental representative stated that the Department had held seven persons responsible, out of which five had already died and two had retired. He also stated that the indenting department, namely, the T&T Department had also to share some responsibility in this case.

246. Auditor-General stated that this para will come up again when examining the Accounts of the Ministry of Communications.

247. The Committee, finally, desired that Secretary, Industries should inquire into the circumstances in which, despite the report of the Auditor-General in January, 1975, action by the Industries Division was not taken and the necessary inquiry was not instituted earlier.

COMPLIANCE ON PAC'S REPORT FOR 1968-69 AND 1969-70

248. The Committee made no observation on the compliance furnished by the Division.

NATIONAL ASSEMBLY SECRETARIAT

249. The third item on the Agenda was examination of the following accounts in respect of the National Assembly Secretariat :—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Report about compliance on *specific* as well as *general* recommendations; directives, etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70.

250. There was no material point to be asked from the Departmental Representative present, namely, Mr. M. A. Haq, Secretary, National Assembly Secretariat.

M. A. HAQ,
Secretary.

ISLAMABAD :
The 2nd December, 1978.

3rd Meeting

7th October, 1978

251. The *Ad-hoc* Public Accounts Committee met in the State Bank Building, Islamabad, at 9.30 A.M. The following were present:—

Ad-Hoc P.A.C.

1. Mr. A.G.N. Kazi, Governor, State Bank of Pakistan . . . *Chairman.*
2. Mr Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. *Member.*
3. Mr. Abdul Qadir, former Chairman, Railway Board . . . *Member.*
4. Mr. Yusuf Blal Mian, Chartered Accountant . . . *Member.*

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. I. H. Siddiqi, Deputy Secretary.
3. Mr. Abdul Ha'im, Assistant Secretary.

Audit

1. Mr. Abdul Hamid,
Auditor-General of Pakistan.
2. Mr. Khalid Rafique,
Deputy Auditor-General (A&R).
3. Mr. Mashkoor Ahmad Khan,
Accountant-General, Pakistan Revenues.

Ministry of Finance

1. Mr. Asad Ahmad, Additional Secretary.
2. Mr. Inam-ul-Haq, Joint Secretary.

DECISIONS AND RECOMMENDATIONS OF *AD-HOC* PUBLIC
ACCOUNTS COMMITTEE

COMMUNICATIONS DIVISION

252. The first item on the Agenda was examination of the following accounts in respect of grants controlled by the Communications Division:—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Interim Report on serious irregularities (page-1).
- (iii) Report on *enquiry* ordered by the PAC regarding financial operations of the National Shipping Corporation (paras 3—8, Minutes dated 16th September, 1976).
- (iv) Reports about compliance on *specific* as well as *general* recommendations|directives, etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70.

253. The following departmental representatives were present :—

1. Maj. Gen. Shafqat Ahmad Syed, Secretary.
2. Capt. L. Jackson, D.G., Ports and Shipping.
3. Mr. G. K. Dakhan, Deputy Secretary.
4. Mr. Athar Mahmud, Director General, Post Offices.
5. Mr. M. A. Mansuri, Chief Accounts Officer, T&T.

254. This Division controlled the following grants :—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|---|------------------|
| 1. | Ministry of Communications (excluding Group-head "A-2") | 21 |
| 2. | Central Road Fund | 24 |
| 3. | Ministry of Defence (Group head 'D' only) | 26 |
| 4. | Management of Chalna Port | 27 |
| 5. | Department of Shipping Control and Mercantile Marine | 28 |
| 6. | Light Houses and Light Ships | 29 |
| 7. | Other expenditure of Ministry of Defence (Group heads 'A' and 'B' only) | 32 |
| 8. | Development expenditure of Ministry of Communications | 108 |
| 9. | Capital outlay on Communication Works | 111 |
| 10. | Development expenditure of Ministry of Defence (Sub-head 'H' only) | 112 |
| 11. | Capital outlay on ports and Shipping | 114 |
| 12. | Development expenditure of planning Division. (Group head 'Y'—Miscellaneous only) | 138 |

255. Before the Committee started its deliberations, the Auditor-General stated that, although the Communications Division controlled a number of grants and wide variations existed in many of them, he had commented upon only a few of such grants. This was true of accounts for the year 1970-71 and 1971-72 in respect of several other Ministries/Divisions, 1970-71 was an abnormal year. In Karachi, a large number of East Pakistani staff in the Audit Office took leave and absented themselves from duty. Their vacancies had to be filled with raw hands. Therefore, maintenance of accounts suffered. Consequently, wherever variations occurred in the Departmental and Audit figures, it was difficult to say with certainty as to which of them was correct. Therefore, variations within the sanctioned grants, not being very material, have been over-looked in these cases.

256. The Chairman observed that the Committee had already considered this aspect of the accounts on the very first day. The point was whether it would be at all useful, after a lapse of eight years, to go into the details of appropriations, particularly when these were subject to modification within a grant, by the Government. The PAC is in a way, the watch-dog of the Legislature. And the grant voted by the Legislature is the *total* grant. If, therefore, there

be a serious excess or other variation in that grant, the Committee would look into the variation closely. The variation in the primary units were no doubt important from the point of view of financial discipline and control and Government should feel concerned with such variations. For the above considerations and because of the political upheaval during 1970-71, the Committee had taken up only the important variations in the overall grants for 1970-71.

257. The Chairman added that, notwithstanding the above, the Committee would like to express their deep concern over a growing tendency among the Ministries/Divisions to continue to commit financial irregularities and improprieties in the belief that, however, serious, the irregularities/improprieties will be ultimately condoned by the Finance Division. Such a thinking exhibited an irresponsible attitude on the part of officials, entrusted with executing policies. Appropriate measures are, therefore, called for to curb this tendency.

APPROPRIATION ACCOUNTS

258. *Grants No. 28 and 112.*—There were savings and excesses under these grants. However, in view of the position set out by them earlier, the Committee did not dilate upon the variations.

COMMUNICATIONS DIVISION

PAKISTAN POST OFFICE DEPARTMENT AUDIT REPORT

259. *Failure to deposit demonetised currency notes (Rs. 3,36,300) (Para 3, Page 28).*—The Auditor-General pointed out that demonetised currency notes, valuing Rs. 3,36,300 were not deposited by some post offices in the Banks in time. The departmental representative explained that this happened partly due to the very short time available for the operation and the orders not reaching the offices, located in far-flung areas, in time and partly because of negligence of certain officials. Recovery amounting to Rs. 2,595 from seven officials has been made. Punishment against all the remaining responsible officials has also been imposed as a result of departmental action. The case for this technical loss has been referred to the Ministry of Finance for concurrence to the formal write off.

260. Audit would watch the receipt of sanction for writing off the loss.

PAKISTAN TELEGRAPH AND TELEPHONE DEPARTMENT

APPROPRIATION ACCOUNTS

261. *Financial Results of the Pakistan Telegraph and Telephone Department.*—The Auditor-General pointed out that the gross revenue receipts of the Pakistan Telegraph and Telephone Department in 1970-71 were Rs. 33.37 crore against budgeted receipts of Rs. 41.26 crore, resulting in a short-fall of Rs. 7.89 crore. After taking into account the ordinary working expenses and interest on capital outlay, the Department earned net profit of Rs. 9.89 crore, as against the budgeted net profit of Rs. 18.05 crore.

262. The departmental representative explained that they were expecting receipts from East Pakistan but, due to disturbed conditions in the country, the expected revenue did not accrue. Even West Pakistan did not yield the expected receipts.

263. The explanation of the departmental representative was accepted by the Committee.

264. *Grant No. 23—Expenditure met from Revenue (Charged).*—The Auditor-General pointed out that only Rs. 3.99 crore were provided for payment of interest on debt, whereas the actual charges were Rs. 4.23 crore, resulting in an excess of Rs. 24 lac, which was 6.1% of the grant.

265. The departmental representative stated that a supplementary grant was applied for in time and was also agreed to by the Ministry of Finance. During the processing, however, the supplementary grant was not admitted on some technical grounds.

266. The matter was not pressed further.

APPROPRIATION ACCOUNTS

267. *Grant No. 110—Capital Expenditure Outside the Revenue Account.*—The Auditor-General pointed out that an expenditure of Rs. 23.33 crore (rounded) was incurred against the final grant of Rs. 22.00 crore (Approx.), resulting in an excess of Rs. 1.33 crore which was about 6% of the final grant. The departmental representative stated that the excess was the result of an unexpected adjustment made in the June supplementary accounts under stores suspense, on account of purchase of stores from abroad against loans and credits. He stated that this was a belated adjustment.

268. The Committee dropped the objection but observed that the amount, for which a debit may be expected but not actually received before the close of the financial year, must be surrendered by the Department within that year. A corresponding allocation of funds for the anticipated debit may, however, be sought for in the following year or years to avoid excesses in grants.

269. The Committee further observed that the prescribed procedure of effecting "adjustment" through book debits, which continues after the close of a financial year, was one of the main causes of non-reconciliation of accounts by the end of each financial year. They desired that adjustment of all types of expenditure should be in full swing by April, so that Ministries|Divisions could know the final position of their expenditure|receipts by the 31st May. This would, to a great extent, resolve the difficulty about post-surrender receipt of book adjustments. As an alternative, the question of introduction of a system of cash payments, in substitution for book adjustments, may be examined.

270. The Committee also wanted to know about the following from the departmental representative :—

- (1) *Depreciation Funds.*—It was stated that the Department is not allowed to maintain a normal commercial Depreciation Fund. However, some Depreciation Fund is provided from the working expenses and receipts. The *ad-hoc* percentage fixed for likely replacements during 1978-79 is 3.17. It was further stated that two accounts 69-A and 69-B were being maintained for the purpose. Account No. 69-B is financed from the accumulated renewal reserve fund, which is a small amount, because no replacements are taking place at present. Most of the installations pertained to the period after 1955 and the normal life of these assets is 30 years.

- (2) *Life of Equipments.*—It was stated that a Committee had recently been appointed to refix the effective life of various assets. There was also a Consultative Committee of the International Telegraph Union and Telecommunications Union. In the light of recommendations made by the Consultative Committee, the departmental experience in Pakistan and the experience of other countries in this behalf revised list of the lives of assets had been prepared. The rules on the subject will be modified soon after their approval by the Ministry of Finance. Under the new proposals, life of cable has been fixed at 33 years, of exchange equipments 25 years and of the electronic exchanges, being set up at Karachi and Lahore, 30 years.
- (3) *Commercial Account.*—On the basis of commitment made to the International Development Association (IDA), Commercial Accounts for the T & T Department are being maintained and they are ready up to 1977-78.
- (4) *Postal Life Insurance Annuity.*—It was stated that the valuation by the actuary was being done every three years. The Committee desired to have information from the departmental representative about the last actuarial valuation and the departmental liability in the books on that day.

The information required by the Committee was furnished by the Pakistan Post Office on 9th October, 1978. According to the report, the last actuarial valuation of the Post Office Insurance Fund, as on 30th June, 1969, for both the East Pakistan and West Pakistan Policies revealed a surplus of Rs. 25.151 million. The valuation carried out on 30th June, 1974, in respect of only West Pakistan Policies revealed a surplus of Rs. 44.373 million.

The actuary had recommended an enhancement in the rate of bonus. But the Government did not agree and decided that bonus be declared at the same rate as for previous valuation period. After allocating Rs. 28.846 million towards bonus, a surplus of Rs. 15.527 million was carried forward.

- (5) *Miscellaneous Postal Deposits.*—Asked about the details of the above deposits, the departmental representative stated that they represented the Pakistan Postal Orders, earnest money and security deposits. The Committee suggested that separate accounts in respect of all the Miscellaneous deposits should be maintained and, each year, one of these items should be taken up in detail by the Committee to find out as to what was happening in regard thereto.

INTERIM REPORT ON SERIOUS IRREGULARITIES

271. *Possible loss of Rs. 6.48 lac due to cancellation of contract (Page 1—Interim Audit Report).*—The Auditor-General pointed out that, at the instance of a Superintendent, Telegraph Workshop, Kotri, IPS awarded a contract supply of 300 tons of M. S. Sheets @ Rs. 2,700 per ton to M's. International Commercial Agencies on 2nd October, 1972. Supply was to be made by 31st December, 1972, but firm could supply only 60 tons by 6th July, 1973, and applied for extension upto 15th August, 1973. The Workshop did not agree to extension and asked the D.G.I. P&S to cancel the contract at the risk and cost of the contractor as stipulated in the agreement and to place a fresh order for the balance quantity of stores. Accordingly, a fresh order for 240 tons was placed

on another supplier at Rs. 5,400 per ton on 16th April, 1974. It was completed by the firm on 6th June, 1974. This involved an additional expenditure of Rs. 6.48 lac, recovery of which amount from the first contractor was doubtful.

272. The Auditor-General stated that, according to records, there was sufficient stock in the possession of the Workshop and there was no urgency which could justify this supply contract. The departmental representative explained that, on the 31st July when they recommended the cancellation of the contract, the Workshop had only 32 tons in stocks. Their monthly requirement was 60 tons per month.

273. After hearing the departmental representative, the Committee decided that the matter may not be pursued further.

274. *Telephone Bills.*—On being asked about the public complaint regarding excess telephone billing, the departmental representative informed the Committee that he had studied the problem in different exchanges, checking with the meters, and found that there was nothing wrong with the meters. One could accelerate the meter's speed but could not decelerate it. So far as the technical side was concerned, it seemed that there was a black-mailing system in vogue. The operator black-mailed a customer by giving him belated bills for 2 or 3 months, until they come to a settlement, about a fixed monthly payment. The true and actual bills of such a customer could be ascertained only when the operator in question was transferred and someone else came in his place, as it took some-time to contact the payee. It was during this intervening period that the real bills of a customer could come to light.

275. It was further stated that, for every exchange, there was Committee, which included local men to look into the complaints of subscribers. The departmental representative expressed the hope that, with the introduction of computerised electronic exchanges, defective billing will be reduced substantially.

276. Dealing with belated preparation of bills, it was explained that the position had considerably improved as compared to the one about a year ago and the bills were now being issued by the 28th of the month following the month to which they related. One of the causes for belated billing was multiplicity of Revenue Officers, which were now being reduced considerably.

277. *Plan about expansion.*—The departmental representative further informed the Committee that, at the moment about 1,60,000 applications were on the waiting list. This required a major expansion of the exchanges, which is hoped to be effected during the Plan period. The Department hoped to provide 15,000 to 25,000 more connections by the end of December, 1978.

278. *Haripur Telephone Factory.*—It was disclosed by the departmental representative that the capacity of Haripur Telephone Factory was 50,000. It could be increased to 60,000. At the moment there was no demand for this number. Previously, there used to be some demand from Middle-Eastern countries also. The Factory is producing only one stereo-typed telephone instrument which has no market abroad. Accordingly, new type of telephone instruments are proposed to be introduced. The Factory has diversified its product and is now producing typewriters also, which won the first prize in an international exhibition. It was now proposed to go in for Urdu Typewriters.

AUDIT REPORT T & T DEPARTMENT

- (i) Page 29—Para 1 (a) and 1 (c).
- (ii) Page 30—Para 3.
- (iii) Page 31—Paras 4 to 7.

279. The Committee made no observations on these paras.

COMMERCIAL ACCOUNTS 1969-70 (Page 433)

280. *Inquiry Ordered by PAC Regarding Financial Operation of N.S.C.*-- According to the Report submitted to the Committee, the following 13 persons were involved in this case :—

1. Rear Admiral U.A. Said.
2. Mr. Matiur Rehman.
3. Com. Akhtar Hussain.
4. Mr. S. M. Nasim.
5. Commande: M. A. Latif.
6. Capt. Said.
7. Mr. Q. M. S. Zaman.
8. Mr. Abbas Hashmi.
9. Mr. Sadruddin Noorani.
10. Mr. Iqbal Siddiqi.
11. Mr. Muzammul Haque.
12. Mr. M. A. Khan.
13. Mr. Shaukat Hussain.

281. Some of the above mentioned persons are abroad or had gone over to Bangladesh.

282. Explaining this case, the departmental representative stated that, so far as the working of M/s. Waterman Steamship Corporation was concerned, the Commercial Department of National Shipping Corporation was not happy about it from the beginning. They had strong feelings that the interest of Waterman Steamship Corporation was in conflict with that of NSC. In his letter dated 16-11-1967, the ex-RE also confirmed that Messrs Waterman Steamship Corporation were giving preference to their own ships over the NSC vessels and recommended that their agency should be terminated and, instead, M/s. East West Shipping Agencies be appointed as NSC's agent for the U.S.A. ports.

283. Later, as a result of meeting held at Hamburg in December, 1967 it was decided to change the agency and appoint Messrs East West Shipping Agency as NSC's agent for USA ports. Soon, thereafter, Messrs Waterman Steamship Corporation got one of the NSC's ship arrested and made a claim of £ 68,590. This claim was finally settled for £ 7,000. It was, however, later found that, while making the final settlement with Messrs Waterman Steamship Corporation, freight amounting to £ 25,000, due from them, had been overlooked. The amount had, therefore, to be ultimately written off.

284. As regards the issues of prosecution of the case in a foreign court and its being pursued vigorously, and taking of legal actions against Comd. Abdul Latif, etc., the position is that the case is being vigorously pursued as desired by the P.A.C. The U.S. District Court in New York has since decided that the case should be referred to Arbitration.

285. Our lawyers M's. Leon Weill & Mahony have stated that they offered the defendants the option of arbitrating but the individual defendants have refused to submit to arbitration which is their choice, since they are not parties to any arbitration agreement. The lawyers have, therefore, stated that the arbitration will be against M's. East West Shipping Agencies Inc. They hope that this arbitration would be completed in the Autumn of 1977.

286. Our lawyers have, however, stated that the findings against the East West Shipping Agencies Inc. in this arbitration proceedings could be used as evidence against the individual defendants with whom they propose to continue the suit in the Federal Courts. Our lawyers, however, have made it clear that they do not at present have a ruling on the subject but they hope to be able to persuade the Court as to the soundness of the position.

287. Mr. Sharifuddin Pirzada, our Counsel in Pakistan, was consulted in the matter and he has advised that the matter was being proceeded on right lines.

288. The departmental action against Commander M. A. Latif, *ex-R.R.*, New York, has since been completed by dismissing him from N.S.C. service. The Federal Investigation Agency has advised that case against him was still under investigation and they were making efforts to complete their investigation early. The D.G. Ports & Shipping, has also approached the Director, FIA, Karachi, for taking action against Commander M. A. Latif under Emergency Law, if possible.

289. F.I.A. who have been investigating the alleged irregularities committed by the former Managing Director of N.S.C. have stated that they have not registered any case against any other employee of N.S.C. Certain charges were framed by them against *ex-M.D.* and a case was filed with the Special Tribunal set up by the Government for the purpose. The case was, however, withdrawn by the Central Government.

290. As regards departmental action against other officers of N.S.C., it is being taken, wherever possible, in consultation with the D.G., Ports & Shipping.

291. As regards the statement about entertainment of visiting officers from the Head Office, it was stated that this was based on misconception as it could not be substantiated from the accounts rendered by Messrs East West Shipping Agency Inc.

292. In reply to a question, the departmental representative informed the Committee that the Government has, so far, spent £ 35,000 on lawyers.

293. Regarding the suggestion that the NSC should so enter into an arrangement with the agents that the moment a ship leaves the port, they should remit the collection less normal disbursements to the NSC, the departmental representative informed the Committee that this procedure was being followed now. He further stated that they are taking the following two steps in this connection :—

- (i) Re-thinking and re-drawing all the lists of agents of international reputation.

- (ii) The System requiring the agents to remit the collections, less the normal disbursements, to the NSC immediately after a ship leaves the port.

294. In compliance with the directive of the previous PAC that a list of all agents for the NSC during the last ten years and the position of their accounts be furnished to the Committee, two statements (Appendix I & II), one indicating the status of NSC's ex-agents and the other that of current agents, were submitted to the Committee.

295. The Committee further desired the departmental representative to let them know the exact amounts due from various agents as on 30th June each year beginning from 1970-71 up to 1977-78 explaining as to how far had the position undergone a change between 1974-78. Should there be any special circumstances in regard to any particular year, the same may be stated clearly.

COMPLIANCE REPORTS ON THE ACCOUNTS FOR 1968-69 AND 1969-70

296. The Committee made no observation on the compliance furnished by the Ministry.

MINISTRY OF INFORMATION AND BROADCASTING

297. The second item on the Agenda was examination of the following accounts relating to the Information and Broadcasting Division :—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Interim Report on serious irregularities (Page 24).
- (iii) Report about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the PAC's report on accounts for 1968-69 & 1969-70.

298. This Ministry controlled the following grants :—

| Sl. No. | Name of Grant | Grant No. |
|---------|--|-----------|
| 1. | Ministry of Information and National Affairs (excluding group head C, E. and L) | 86 |
| 2. | Department of Films and Publications | 87 |
| 3. | Press Information Department | 88 |
| 4. | Pakistan Broadcasting Services | 90 |
| 5. | Pakistan Television Services | 91 |
| 6. | Other expenditure of Ministry of Information and National Affairs (excluding group head B) | 92 |
| 7. | Development expenditure of Ministry of Information and National Affairs | 134 |
| 8. | Capital outlay on Broadcasting Service | 135 |
| 9. | Capital outlay on Television Service | 136 |

Departmental Representatives

1. Mr. Masoodur Rauf, Additional Secretary.
2. Mr. Mohammad Tufail, Joint Secretary.

APPROPRIATION ACCOUNTS

299. *Grant No. 135.*—The Auditor-General pointed out some excesses and savings under sub-heads of this grant.

300. The departmental representative explained the excesses and savings satisfactorily.

AUDIT REPORT

301. The Auditor-General pointed out that Stores worth Rs. 10.16 lac (roundly) were purchased during 1964-65 and 1967 in foreign exchange for the Broadcasting House, Islamabad. Contract for designing the building was executed in March, 1968 and the contractor was required to start construction in December, 1971.

302. The departmental representative explained that the design of the building, which was prepared by M^s. Edward Stone, was revised and new estimates and design were prepared. It was detected that there was sub-soil water and this resulted in a change of the whole concept. Eventually, the construction was handed over to C.D.A. They have since constructed two out of five floors. The PBC have occupied the two floors, so that they get the remaining construction expedited and money could also be saved on rent which they were paying.

303. After hearing the departmental representative, the Committee dropped the objection.

INTERIM REPORT ON SERIOUS IRREGULARITIES

304. *Non-installation of Kino-Technik Processing Plant valuing Rs. 1,14,000 (Page 24).*—The Auditor-General pointed out that a film processing plant, valued at Rs. 1,14,000, was imported in January, 1971 but had not been installed till April, 1978.

305. The departmental representative explained that since the Directorate of Films & Publications has begun functioning in Islamabad, the proposed processing plant in Karachi will have to be shifted to Islamabad. They are thinking of colour processing of TV from the laboratory, which will be located in Islamabad. However, the structure constructed in Karachi for the plant will not be demolished and will be used for some other purpose.

306. The Chairman, observed that the department should give a more careful thought to this matter. There will be a delay of three years before the plant is installed at Islamabad, because the building for it will have to be constructed anew. Instead, if the plant is installed in the already constructed building in Karachi, the department could perhaps get back the money spent by them within this period.

**REPORT ABOUT COMPLIANCE ON SPECIFIC AS WELL AS GENERAL RECOMMENDATIONS/
DIRECTIVES ETC., CONTAINED IN THE PAC'S REPORT ON ACCOUNTS FOR 1968-69
AND 1969-70**

307. Page 68, para 54 (Audit Report 1969-70) and Page 49, para 11 (PAC's Report 1968-69 & 1969-70).—The Auditor-General stated that there was only one point (on page 2 of the Compliance Report). The department had furnished explanation only a couple of days back and it will be subjected to verification.

308. After hearing the departmental representative, the Committee had no further observations to make.

EDUCATION DIVISION

309. The third item on the Agenda was examination of the following accounts relating to Grants controlled by the Ministry of Education:—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Report about compliance on *specific* as well as *general* recommendations, directives, etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70.

310. The following departmental representatives were present:—

1. Dr. M. A. Kazi, Secretary.
2. Dr. Tahir Husain, Joint Secretary.

311. This Division controlled the following grants:—

| Sl. No. | Name of Grant | Grant No. |
|---------|--|-----------|
| 1. | Cabinet Division (Group-head ' G ' only) | 12 |
| 2. | Education Division | 34 |
| 3. | Archaeology and Museums | 35 |
| 4. | Education | 36 |
| 5. | Government Colleges and Schools | 37 |
| 6. | Frontier Regions (A/C-II-Group/Head ' C '-I) | 74 |
| 7. | Stationery and Printing | 80 |
| 8. | Ministry of Information and National Affairs (Group-head ' E ' only) | 86 |
| 9. | Development Expenditure of Education Division | 116 |

APPROPRIATION ACCOUNTS

AUDIT REPORT

(Page 23-para 10)

COMPLIANCE REPORT

(1968-69 & 1969-70)

312. No material point came out in the Accounts and the Reports, the Committee did not have any observation to make thereon.

313. The Committee adjourned thereafter, to meet on 8th October, 1978.

M. A. HAQ,
Secretary.

ISLAMABAD :
The 2nd December, 1978.

8th October, 1978

4th Meeting

314. The *Ad-hoc* Public Accounts Committee met in the State Bank Building, Islamabad at 9 30 A.M. The following were present :—

Ad-hoc P.A.C.

- | | |
|--|------------------|
| 1. Mr. A.G N. Kazi, Governor, State Bank of Pakistan .. | <i>Chairman.</i> |
| 2. Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan | <i>Member.</i> |
| 3. Mr. Abdul Qadir, former Chairman, Railway Board .. | <i>Member.</i> |
| 4. Mr. Yusuf Bhai Mian, Chartered Accountant | <i>Member.</i> |

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. I. H. Siddiqi, Deputy Secretary.
3. Mr. Abdul Halim, Assistant Secretary.

Audit

1. Mr. Abdul Hamid, Auditor-General of Pakistan.
2. Mr. Khulid Rafique, Deputy Auditor-General, (A&R).
3. Mr. Mashkoo Ahmad Khan, Accountant-General, Pakistan Revenues.

Ministry of Finance

1. Mr. Mohammad Nawaz, Additional Secretary.
2. Mr. Inam-ul-Haq, Joint Secretary.

MINISTRY OF HEALTH AND POPULATION

315. The first item on the Agenda was examination of Grants controlled by the Finance Division but, on the request of Secretary Health, the Committee agreed to take up the accounts of the Health Division (item No. 2 on the Agenda) first.

**(a) HEALTH DIVISION
(Including Social Welfare)**

316. The following accounts in respect of grants controlled by the Health Division, including Social Welfare, were considered by the Committee :—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Interim Report on serious irregularities (page 15).
- (iii) Report about compliance on *specific* as well as *general* recommendations/directives, etc. contained in the PAC's Report on accounts for 1968-69 and 1969-70.

317. The following departmental representatives were present:—

1. Lt. Gen. C. K. Hasan, Secretary.
2. Maj. Gen. M. I. Burney, Director General, (National Health Laboratories).
3. Mr. Abdul Qadir Butt, Deputy Secretary.

318. This Division controlled the following grants:—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|--|------------------|
| 1. | Health Division | 60 |
| 2. | Medical Services | 61 |
| 3. | Public Health | 62 |
| 4. | Other expenditure of Labour and Social Welfare Division. (Group-head 'B' only) | 64 |
| 5. | Development expenditure of Health Division | 121 |
| 6. | Development expenditure of Labour and Social Welfare Division (Group-head 'Y' only) | 122 |

APPROPRIATION ACCOUNTS

319. There was no material point in Appropriation Accounts of the Health Division including Social Welfare.

320. *Malaria Eradication.*—On the Committee desiring to know about the result of the Malaria Eradication programme in view of the large expenditure incurred on it, the departmental representative stated that this Scheme was started in 1961-62. The initial plan envisaged an approximate expenditure of Rs. 56 crore, both for East and West Pakistan, to be spent over 14 years. The World Health Organisation, USAID and some other agencies encouraged the programme and also came forward to aid the project. Pakistan's efforts in the field of Malaria Eradication were recognised the world over, so much so that, in 1969, Pakistan was selected as one of the six model countries of the world for controlling Malaria. She received many visitors from all over the world during 1969 and 1970 to study her achievement.

321. The departmental representative added that the word 'eradication' was, in fact, a misnomer and it has been accepted now that it connoted "Control of Malaria" as distinct from "Eradication", which may be technically possible, but would be prohibitively expensive.

322. The departmental representative drew the Committee's attention to the apathy of the Finance Division towards the Scheme. He stated that, in 1969, USAID issued a cheque for Malaria Eradication, but the Ministry of Finance diverted the funds to some other project. The funds were later passed on to the Health Division, but valuable 3 to 4 months were wasted in the process. Timely availability of funds is one of the pre-requisites for the success of the Scheme. However, an investigation about the national failure of the project is under way. The project has been taken up again some three years ago as a second project and it will cost us much more now, as the cost of DDT and labour has since gone up considerably.

AUDITOR-GENERAL'S REPORT

323. *Unauthorised distribution of 172 hospital beds to staff and purchase of equal number of beds worth Rs. 65,000 (Para 36, page 33—Audit Report).*—The Auditor-General stated that from the explanation furnished by the Division it has been established that the beds had been inherited at the time of partition. These beds were found to be unsatisfactory and were accordingly replaced. Therefore, no further action was called for in the matter except recovery/regularisation action, where due, by the Department.

324. *Defalcation of cash (Rs. 24,000) (Para 37, page 34—Audit Report).*—It was explained that the fund was, in fact, a private fund. The objection was based on the assumption that it was a Government constituted fund. As such, audit had nothing to do with the fund. However, the amount was subsequently recovered.

325. *Drawal of salary of a fictitious employee (Rs. 3,232) (para 38, page 34—Audit Report).*—The Auditor-General stated that his observation was made as records were not produced. The records, including the service-book, has been produced, though several years later. The records seemed to be genuine. The para did not call for any further action.

INTERIM REPORT ON SERIOUS IRREGULARITIES

326. *Infructuous expenditure on the purchase of a plant (Rs. 23,555) (page 15—Interim Audit Report).*—The Auditor-General pointed out that a Deep X-Ray Therapy Unit, valuing Rs. 4.85 lac, was procured in 1972 for installation at the Central Polyclinic, Islamabad. Further work on its installation was later stopped under the orders of the then D.G., Health, after an expenditure of Rs. 23,555 had already been incurred. Efforts were made to transfer the Unit to some other Hospital. In November, 1977 it was transferred to the Central Government Hospital, Rawalpindi. Thus the expenditure of Rs. 23,555 incurred in the Polyclinic, Islamabad for the plant became infructuous.

327. The departmental representative explained that the Unit in question was actually purchased abroad by the then Government of West Pakistan, without having determined its location. After the dismemberment of One-Unit, the Plant was transferred to the Central Government. The Unit had since been sent to Karachi for installation in the Jinnah Postgraduate Medical Centre.

328. The Committee expressed their dis-satisfaction at the failure of the department to determine the location of the plant in time. They directed that, while deciding upon the purchase of an equipment/machine in the future, detailed specifications about the building required to house it must be obtained from the suppliers, simultaneously. Thereafter the availability of the required building must be ensured before the equipment/machine actually arrives.

COMPLIANCE REPORT ON THE PAC'S REPORT FOR 1968-69 & 1969-70

329. The Committee did not have any observation to make on the Report.

(b) POPULATION DIVISION

330. The following accounts etc., were examined :—

- (i) Appropriation and other accounts and Report relating to 1970-71.

- (ii) Report about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

331. The following departmental representatives were present :—

1. Lt. Gen. C. K. Hasan, Secretary.
2. Dr. Tariq Siddiqi, Joint Secretary.
3. Mr. S. H. Haqqi, Director (B & A).

332. This Division controlled the following grants :—

| Sl. No. | Name of Grant | Grant No. |
|---------|--|-----------|
| 1. | Family Planning Division | 65 |
| 2. | Development Expenditure of Family Planning Division .. | 123 |

333. There was no material point in the accounts of the Population Division.

334. *Success of population planning.*—On being asked about the present position of the work of Population Planning, the departmental representative explained that the measures adopted for controlling population had not, so far, met with the desired success. The rate of birth had not fallen notably but it had also not increased much in the last few years. The average annual growth in population was around 2.95% against the last five years average of over 3%. Compared with the figures of last 10 years, there has been a downward trend though, not very noticeable yet.

LOCAL GOVERNMENT AND RURAL DEVELOPMENT DIVISION

335. The third item on the Agenda was examination of the following accounts etc., in respect of Grants controlled by the Local Government & Rural Development Division :—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Report about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

336. The following departmental representatives were present :—

1. Malik M. Siddiq, Joint Secretary.
2. Mr. Habibur Rehman Malik, Director.
3. Mr. Mohammad Rafiq, S.O. (F & A).

337. This Division controlled the following grant :—

| Name of Grant | Grant No. |
|---|-----------|
| Other expenditure of Ministry of Information and National Affairs (Group-head 'B' only) | 92 |

APPROPRIATION ACCOUNTS

338. There was no material point in the accounts of the Local Government and Rural Development Division.

MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

339. Thereafter, the Committee took up examination of the following accounts in respect of Grants controlled by the MINISTRY OF FINANCE AND ECONOMIC AFFAIRS (Item 1 of Agenda).

FINANCE DIVISION

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Report about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70.

340. The following departmental representatives were present:—

1. Mr. Asad Ahmad, Additional Secretary.
2. Mr. Azizur Rehman, Joint Secretary.
3. Ch. Mahmud Ahmad, D.S. (F & A).

341. This Division controlled the following grants' appropriation:—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|--|------------------|
| 1. | Rehabilitation of Displaced Persons and Protection of Evacuee Property (Group-head 'D' only) | 8 |
| 2. | Other Expenditure of Ministry of Commerce (Group-heads A and B) | 18 |
| 3. | Ministry of Finance | 40 |
| 4. | Debt Services | — |
| 5. | Audit | — |
| 6. | Currency | 41 |
| 7. | Pakistan Mint | 42 |
| 8. | Superannuation Allowances and pensions | 43 |
| 9. | Other Expenditure of Ministry of Finance | 44 |
| 10. | Grants-in-Aid and Miscellaneous Adjustments between Federal and Provincial Governments | 45 |
| 11. | National Savings | 51 |
| 12. | Capital outlay on Currency | 52 |
| 13. | Capital outlay on Pensions | 52-A |
| 14. | Central Miscellaneous Investments | 53 |
| 15. | Repayment of Debt | — |
| 16. | Other Loans and Advances by the Central Government | 54 |
| 17. | Contingency Items | 55 |
| 18. | Development Expenditure of Ministry of Finance | 118 |
| 19. | Capital outlay on Mint | 119 |
| 20. | Development Loans and Advances by the Central Government | 120 |

342. Before the Committee took up the examination of the accounts of Finance Division, Chairman observed that what had been seriously concerning the Committee so far is the fact that this exercise related to the accounts of 1970-71. Obviously, after eight years, the accounts can be appropriately the subject matter of research but not of practical use to any-one. In the Committee's view, this abnormal delay in the examination of accounts could not be attributed to the PAC. The Public Accounts Committee may not have been meeting very frequently in the past. But even the accounts for 1971-72 were not ready for consideration yet, as comments from Ministries etc., on them had yet to be obtained. Since the accounts, which are prepared after 5—8 years are of not much use, something has got to be done to liquidate the back-log and to ensure that delay in the preparation and submission of accounts to the PAC is eliminated. The Committee did not expect an off-hand solution. It would like to have a written report about the circumstances that may have given rise to the present worst situation and as to what should be done to obviate the recurrence of it in the future.

343. The second point is as to what can be done to improve the situation? Is it worthwhile to go over these huge bundles of papers? Various ideas have been floated about the manner of dealing with these accounts. The Committee would like to have a report from the Finance Division in consultation with the Auditor-General, as to how could the accounts be presented in a more simplified manner.

344. The Chairman further observed that there should be an earnest effort now to clear up the accounts up to 1972-73, which are ready. Ministries/Divisions should be requested to send their replies without any loss of time and accord due priority to this work. Accounts for 1971-72 and 1972-73 should be processed by all concerned most speedily and brought before the PAC.

345. So far as the accounts for 1973-74 onwards are concerned, some way has to be found by which they could also be finalised without much delay. If anything has got to be done for this purpose, it should be done quickly. The Committee would like to hear from the Finance Division and the Auditor-General as to what did they propose to do in the matter. The PAC would also like to know about recommendations of various Committees set up, from time to time, after the Independence to consider simplification and expeditious presentation of accounts, the Government decisions thereon and the extent of implementation of those decisions.

346. Summing up, the Chairman said that there has been an inordinate delay in the presentation of accounts. Four years seem to have become the rule. The delay now is even greater. This position is neither happy nor acceptable to the Committee. The Committee would like to have a report from the Finance Division and the Auditor-General about this matter, and particularly about the queries below :—

- (a) How could the back-log be liquidated at the earliest possible and the situation brought to normalcy?
- (b) How could the accounts be presented in a simpler and more lucid form than at present, so that they could be comprehended more easily? What should be the format of the Appropriation and other accounts, to achieve this objective?

- (c) To curtail delay, could the Accounts Reports, to be prepared by the Auditor-General, be cyclostyled and circulated, instead of being printed in each case?

347. *Simplification of budgetary classification.*—The departmental representative informed the Committee that, for the first time, the Government have decided upon modifying the budgetary classifications from 1979-80. Once the modified budgetary classifications have been adopted, the Auditor-General and the AGPR would be asked to change the accounts classification accordingly. This work is already in progress. The next year's budget will be prepared on the basis of new classification.

348. *Surrender of savings.*—While discussing savings and surrenders in the above grants, Chairman observed that the advisability of the existing orders under which savings, accruing in a grant, had to be surrendered by Ministries etc., by the last day of the financial year, when they could not be allocated to anyone else, needed to be reviewed. It may be examined by the Finance Division, whether surrender of surplus funds should not be appropriately prescribed to take place at least three months before the close of a financial year, i.e., by the 31st March, instead of the 30th June?

349. *Cash payment in lieu of book adjustments in inter-departmental transactions.*—Recounting the reasons for belated adjustments of expenditure, resulting in variations between the Audit and departmental figures, the departmental representative said that, so long as the Federal Government continues to use Provincial agencies for receiving Federal money and disbursing it, this problem will continue. Unless the Federal Government is prepared to create its own agency for receiving and disbursing money on its behalf, it would be difficult to overcome the problem. Perhaps, it is economical to use the agencies of the Provincial Government to receive and make disbursements. For the first time, Federal Treasuries are being set up at Karachi and Rawalpindi. This is a beginning of an experiment.

350. Chairman observed that solution to the problem of "prompter adjustments" has been hanging fire for the last 20 years. A number of cells were created, from time to time, to deal with the problem. Even now a Standing Committee in the Cabinet Division and a cell in the Finance Division exist for improving the accounts, but without much fruitful result.

351. In order to improve budgetary control and finalisation of accounts by the end of each financial year, one alternative could be introduction of a system of cash payment in inter-departmental transactions, instead of booking expenditure through debits. This could be seriously examined by the Finance Division.

352. *Ways and means advances.*—The departmental representative explained that such advances are a floating debt, and are meant for borrowing. However, when it comes to deficit financing, difficulties arise. Though the advances are called short-term borrowing, they are really a long term one. Sometimes, on the recommendations of the State Bank, they are converted by the Government into long term Treasury Bills. Chairman observed that this has a bearing upon the extent of deficit. However, it is virtually impossible to foresee the day to day curve and the Finance Division remains unaware as to what the borrowing is.

353. Expatriating on the floating debt further, a Member said that this creates an overdraft limit. It was suggested that, along with the question of simplification of accounts, the possibility of fixing an 'Overdraft Limit' in substitution of

the existing 'Ways and Means Advances' may be seriously considered, as it will then help simplifying the accounts and eliminate the huge figures relating to Ways and Means Advances appearing in the Accounts.

354. *Provident fund accounts.*—A member pointed out that the Accounts pertaining the Finance Division did not reveal the total liability of the Government on account of Provident Fund Accounts at the close of the year. The Committee desired that this information should be duly reflected in the accounts of the Finance Division.

355. Discussing the manner in which individual Provident Fund Accounts were being maintained, the Committee felt unhappy about general complaints from the employees that their GPF accounts were never upto date and, in most cases, credits were not posted correctly in the accounts, resulting in losses and inconvenience to subscribers.

356. The Auditor-General conceded that the maintenance of GPF Accounts was in a bad shape but this was, apart from the low level of efficiency both in his offices as well as in those of Drawing and Disbursing Officers, due primarily to the inability of the existing procedure to cope with the present work-load of nearly a million accounts. Several proposals for changing the procedure were put forth from time to time but none of them found favour with the Finance Division. The latest proposal—to computerise these accounts independently of the computerisation of pay rolls—was recently turned down as it was not found feasible. An alternative proposal is under consideration in consultation with the National Bank of Pakistan but had not progressed beyond the initial stage.

357. The Committee did not have to make any observations on the Appropriation, other Accounts, Report of the Auditor-General thereon and Compliance Report in respect of the printed Report of the PAC on the Accounts for 1968-69 and 1969-70.

(b) ECONOMIC AFFAIRS DIVISION

358. The next item on the Agenda was examination of the following accounts in respect of the grants controlled by the Economic Affairs Division:—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Report about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70.

359. The following departmental representatives were present:—

1. Mr. Masud Mufti, Joint Secretary.
2. Mr. M. A. Jaleel, F & A. O.

360. This Division controlled the following grants:—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|---|------------------|
| 1. | Economic Affairs Division (Group head 'A') .. | 95 |
| 2. | Technical Assistance Schemes | 0 |

361. There was no material point either in the accounts and Audit Report relating to the Economic Affairs Division or in the Compliance Report furnished by that Division.

(c) **PLANNING AND DEVELOPMENT DIVISION**

362. The next item on the Agenda was examination of the following accounts in respect of the Planning and Development Division:—

- (i) Appropriation and other accounts and Report relating to 1970-71
- (ii) Report about compliance on *specific* as well as *general* recommendations|directives, etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

363. The following departmental representatives were present:—

1. Mr. M. Z. Rahman, Additional Secretary.
2. Mr. Muhammad Athar Zaka, Joint Secretary.
3. Mr. S. Zahoor Hussain, S.O.

364. This Division controlled the following grants:—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|---|------------------|
| 1. | Planning Division | 97 |
| 2. | Development expenditure of Planning Division [excluding Sub-heads E, 1(1) to D, 1(4) and group head 'Y'] .. | 138 |

365. The Committee did not find any material point for discussion either in these grants or in the compliance report furnished by the Division.

(d) **STATISTICS DIVISION**

366. The next item on the Agenda was examination of the following accounts in respect of grants controlled by the Statistics Division:—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Report about compliance on *specific* as well as *general* recommendations|directives, etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

367. The following departmental representatives were present:—

1. Mr. S. Munir Hussain, Secretary.
2. Mr. S. Sohail Ahmad, Joint Secretary.

368. This Division controlled the following grants:—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|--|------------------|
| 1. | Economic Affairs Division (Group head 'B' only) .. | 95 |
| 2. | Development expenditure of Economic Affairs Division.. | 137 |

369. There was no material point for discussion either in these grants or in the compliance report furnished by the Division.

(e) **CENTRAL BOARD OF REVENUE**

370. The next item on the Agenda was examination of the following accounts in respect of grants controlled by the Central Board of Revenue.

(i) Appropriation and other accounts and Report relating to 1970-71.

(ii) Report about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

371. The following departmental representatives were present:—

1. Mr. N. M. Oureshi, Chairman.
2. Mr. H. N. Akhtar, Member.
3. Mr. M. Fazlur Rahman, Member.
4. Mr. M. Nawab, Member.

372. The Central Board of Revenue controlled the following grants:—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|---|------------------|
| 1. | Central Board of Revenue | 46 |
| 2. | Sea Customs | 47 |
| 3. | Land Customs and Central Excise | 48 |
| 4. | Taxes and Income, Corporation Tax and Sales Tax | 49 |
| 5. | Estate Duty | 50 |

373. The departmental representatives stated that the Central Board of Revenue were concerned with only five grants. The excess in Grant No. 49 was mainly due to inevitable expenditure on telephones. The nature of work entrusted to the Board and duty of the Commissioners are such that they cannot anticipate expenditure on this item. At times, they have to ring up all over Pakistan and one may have to make two to three dozens or even more calls in a day. They have also to deal with anti-smuggling activities, which also could not be anticipated.

EVALUATION OF BOARD'S PERFORMANCE

374. Asked about the performance of the Department, the departmental representative stated that, in so far as recovery of taxes was concerned, they have been able to turn the corner. During the last two years, they had brought about an improvement by about 11%. Two and a half years ago, the realisations amounted to Rs. 127 crore, while during the last financial year, it was Rs. 277 crore. As a result of the above improvement Pakistan was being quoted as a model in this field. Even the World Bank had indicated their interest in conducting a case study on this subject in Pakistan. The above result had been achieved by placing checks on points of corruption, etc. The departmental representative proposed that, in order to deal with tax evasions effectively, the

rates must be made bearable and they should be reduced, because the higher the rates the greater the incentive for evasion. The self-assessment scheme and the education of tax-payers regarding their obligations to the State had also helped to achieve the result. There is always room for improvement and the Board was taking all possible steps for further improvements.

COMPLIANCE REPORT ON ACCOUNTS FOR THE YEAR 1968-69 AND 1969-70 (PAGES 73-74, PARA 25, PAC'S REPORT FOR 1968-69 AND 1969-70)

375. During the course of discussion with the Representatives of the Central Board of Revenue, the Chairman pointed out that the previous PAC had directed that, in future, payment of sales tax and excise duty should be made only to Government Departments and not to contractors and firms. The Central Board of Revenue had to make rules on the subject, in consultation with the Ministry of Finance.

376. The departmental representative stated that they are working on it and proposals will be sent to the Ministry of Finance in due course.

COMMERCE DIVISION

377. The fourth item on the Agenda was examination of the following accounts in respect of grants controlled by the Commerce Division :—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Enquiry ordered by the PAC regarding Export Exhibition Cell wound up in 1964—Disposal of stocks and assets.
- (iii) Report about compliance on *specific* as well as *general* recommendations; directives, etc., contained in the PAC's Report on the accounts for 1968-69 and 1969-70.

378. The following departmental representatives were present :—

1. Mr. K. N. Cheema, Joint Secretary.
2. Mr. Barkaullah Khan, Deputy Secretary.

379. The Commerce Division controlled the following grants :—

| <i>Sl. No.</i> | <i>Name of Grant</i> | <i>Grant No.</i> |
|----------------|--|------------------|
| 1. | Ministry of Commerce | 16 |
| 2. | Export Promotion | 17 |
| 3. | Other expenditure of Ministry of Commerce (excluding Group-heads 'A' and 'B' and Recovery under Major Head '47') | 18 |
| 4. | Capital outlay on purchase of Jute and other works .. | 19 |
| 5. | Capital outlay on Export Promotion | 20 |
| 6. | Development expenditure of Ministry of Commerce .. | 107 |

APPROPRIATION ACCOUNTS

380. (*Grant No. 16*).—The variation under Grant No. 16 was explained by the departmental representative as having been partly due to belated adjustment of telephone charges. The departmental representative, however, assured the Committee that measures had since been taken to reduce expenditure on telephone and restrictions had been imposed on the number of calls. Restrictions had also been imposed on making calls on direct dialing system from residential telephones.

381. The Committee did not make any further observation in the matter. There was no material point for discussion under other grants.

COMPLIANCE REPORTS

382. *Failure to observe Government instructions regulating deposit of funds—(Para 163—Audit Report 1968-69)*.—The Committee noted that keeping of funds in the National Bank had been authorised by the Auditor-General *vide* his letter of 20th June, 1969. The Auditor-General said that he will have to verify the position. The Committee desired that the Auditor-General may check up the position from his records.

INQUIRY ORDERED BY THE PAC ABOUT THE EXHIBITION GROUND

(Page 163|Report 1968-69 and 1969-70)

383. *Export Exhibition Cell Commercial Accounts 1969-70 (Pages 77, 266 and 292)*.—Chairman enquired of the latest position in the matter. The departmental representative stated that the FSF, who were occupying the old barracks, vacated them only in April, 1978. D.G., IP and S had been asked to auction the structures. Only some steel and bricks were left on the ground. The intention was to retain the two buildings. One of the barracks was being used for reviewing exhibition goods.

384. The Committee directed that this long standing matter must now be disposed of speedily and a final report submitted to the Committee. Audit should be asked to give their views to the Committee on the final report.

385. The Committee adjourned to meet again at 9.30 A.M., on the 9th October, 1978.

M. A. HAQ,
Secretary.

ISLAMABAD :
The 2nd December, 1978.

9th October, 1978

5th Meeting

386. The *Ad-hoc* Public Accounts Committee met in the State Bank Building, Islamabad, at 9-30 A.M. The following were present.—

Ad-Hoc P.A.C.

1. Mr. A. G. N. Kazi, Governor, State Bank of Pakistan .. *Chairman.*
2. Mr. Masarra Hussain Zuberi, former Secretary to the Government of Pakistan. *Member.*
3. Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*
4. Mr. Yusuf Bhai Mian, Chartered Accountant *Member.*

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. I. H. Siddiqi, Deputy Secretary.
3. Mr. Abdul Halim, Assistant Secretary.

Audit

1. Mr. Abdul Hamid, Auditor-General of Pakistan.
2. Mr. Khalid Rafique, Deputy Auditor-General (A&R).
3. Mr. Mashkoor Ahmad Khan, Accountant General, Pakistan Revenues.
4. Mr. A. N. Ansari, Director of Audit, Defence Services.

Finance Division

1. Mr. Asad Ahmad, Additional Secretary.
2. Mr. Anwar Kabir Sheikh, Deputy Secretary.

DECISIONS AND RECOMMENDATIONS OF AD-HOC PUBLIC ACCOUNTS COMMITTEE

DEFENCE DIVISION

387. The item on the Agenda was examination of Grants controlled by the Ministry of Defence. The following accounts in respect of Defence Division were taken up first.

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Interim Audit Report on serious irregularities (pages 3—8).
- (iii) Enquiries ordered by the PAC in respect of—
 1. Loss of Rs. 1,58,600 due to set cement. (Page 154, PAC's Report for 1968-69 & 1969-70).
 2. Loss of Rs. 56,084 due to shortage of stores. Do.
 3. Non-recovery of Rs. 46,365 for defective work. (Page 158, PAC's Report for 1968-69 & 1969-70).
 4. Excess payment of Rs. 24,697 .. (Page 156, PAC's Report for 1968-69 & 1969-70).

- (iv) Reports about compliance on *specific* as well as *general* recommendations|directives, etc., as contained in the PAC's report on accounts for 1968-69 & 1969-70.

388. The following Departmental Representatives were present :—

1. AVM (Retd.) S. A. Yusuf, Additional Secretary.
2. Mr. Qamaruddin Siddiqi, F. A. (Defence).
3. Sh. Muniruddin, Military Accountant General.
4. Mr. M. Islam-ud-Din, Deputy Secretary (Budget).

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

389. There was no material point in the Grant No. 33-Defence Services.

AUDIT REPORT (DEFENCE SERVICES)

390. *Overpayment to Military Engineer Services Contractors (Rs. 2,72,272)*—(Para 1, page 3—*Audit Report—Defence Services*).—The Auditor-General said that, during 1957, Audit had pointed out to the G. E. Sibbi, and C. M. A. Karachi, irregular payments, amounting to Rs. 2,72,272, to M. E. S. contractors. In June, 1972 the Ministry of Defence intimated that action was under way to recover/regularise the expenditure.

391. On the Committee expressing surprise that the Department had not been able to finalise the case even after a lapse of 21 years, the departmental representative stated that, by July, 1977, it had been possible to effect recoveries of Rs. 17,456 from the contractors. As regards the balance, a Court of Inquiry had been instituted. The report of the Inquiry has been received and it has been sent to the financial authorities for regularisation. At present, it is being processed between the Military Accounts, Karachi and Chief Engineer, Quetta and then it will be sent to the Ministry of Finance and the Financial Adviser. The case will be finalised within the next three months. The Committee desired the Auditor-General to watch the receipt of the Government sanction, regularising the payment.

392. *Non-recovery of rent Rs. 49,700*—(Para 3, page 4—*Audit Report—Defence Services*).—The Auditor-General pointed out that some M. E. S. buildings at Lahore Cantt. were given to two private parties for use as a cinema in March, 1952. The assessed rent of Rs. 272 per month was not being paid. Audit pointed out this, for the first time in February, 1953. The Ministry of Defence sent the final reply in June, 1977 intimating that rent could not be recovered from the persons concerned as they were not traceable. On the recommendations of the Court of Enquiry, the Ministry proposed to write off the amount of rent which is about Rs. 22,000 for the period from March, 1952 to October, 1962.

393. The departmental representative stated that action had already been initiated to write off the amount, as the M. E. S. staff responsible did no longer exist.

394. The Committee directed the departmental representative to expedite action, as the matter was more than 20 years old, and report back the result to the Committee.

395. *Extra expenditure due to defective electric wiring (Rs. 43,680) (Para 4, page 4—Audit Report—Defence Services).*—The Auditor-General pointed out that internal electric wiring of buildings at Sarwar Lines, Stalkot was carried out in 1960-61. The wiring was to last at least twenty years, but it had to be replaced during 1967-68, as the wiring, originally provided at a cost of Rs. 43,680, was found to be defective. Audit pointed out this irregularity in December, 1968 and the Ministry of Defence intimated in April, 1973 that extra expenditure statement for Rs. 43,680 had been initiated for the sanction of competent financial authorities.

396. The departmental representative stated that a Court of Inquiry, consisting of three officers, has been constituted to establish the reasons and to suggest remedial measures. He informed the Committee that the contractor responsible for the work had since died.

397. The Committee noted with regret that, although more than 9 years had elapsed, the case has not been finalised yet. They observed that, as the contractor had already died and recovery of the amount was not possible, it was no use keeping the case hanging for such a long time. They directed the departmental representative to regularise the matter at the earliest and report back the result to the Committee.

398. *Overpayment to Military Engineer Services Contractors (Rs. 34,752) (Para 5, pages 4 & 5—Audit Report—Defence Services).*—The Auditor-General pointed out that a Project Engineer over-paid Rs. 34,752 to some contractors and did not recover compensation for delay in the completion of work, cost of stores issued to the contractor, and for work being below specifications, etc. The explanation of Ministry of Defence in January, 1976 was that—

- (a) the recovery of Rs. 20,180 is time-barred as it was not pointed out within three years from the date of payment of the final bill. However, they have referred the case to Arbitration.
- (b) Rs. 10,870 (Rs. 10,392 + Rs. 478) will be recovered from the dues of the contractor.
- (c) the case for Rs. 1,882 is being referred to Arbitrator, as the contractor has refused to accept recovery.
- (d) Rs. 1,633 (Rs. 1,085 + Rs. 548) has been recovered, which has been verified by Audit.
- (e) Rs. 187 is not recoverable as the concrete mixer was not used by the contractor, and this has been verified by Audit.

399. The departmental representative stated that the contractor had died and his contract had to be terminated. Under the regulations, the heirs cannot be called upon to pay.

400. As to the non-recovery of Rs. 20,180, which was stated to have become time-barred, the Committee noted that the irregularities were pointed out to the Department well within the time-limit in January, 1966. The Committee, therefore, desired that suitable action must be taken against those responsible for not having initiated timely action despite the Audit bringing the matter to notice, thus rendering the claim time-barred and making the Government to suffer the loss.

401. *Non-recovery of rent from lessee (Rs. 40,921) (Para 6, page 5—Audit Report—Defence Services).*—The Auditor-General stated that a certain amount of rent was due from the lessee of the Service Hotel, Peshawar, apart from Rs. 23,901 on account of repairs and sanitary fittings and fixtures found short, all totalling Rs. 40,921.

402. The departmental representative stated that the position of the case had since changed. There was some mis-calculation. Repairs were estimated at Rs. 20,000, which was later on reduced to Rs. 10,500. The rent due from the lessee was Rs. 12,000, which had been recovered. An amount of Rs. 10,500 has been paid by the G.H.Q. and the deficiency of Rs. 5,000 has been made good by the ex-lessee.

403. The Committee did not make any further observation on this para subject to verification of departmental reply by Audit.

404. *Irregular issue of stores (Rs. 25,801). (Para 7, pages 5 & 6—Audit Report—Defence Services).*—The Auditor-General pointed out that stores valuing Rs. 25,801 were issued in excess of requirements of works by the M.E.S. Stores in 1956. After a lapse of about 14 years, the Ministry intimated that persons responsible for committing irregularities had retired/expired, the relevant records were also not traceable and the loss was proposed to be written off. The Ministry initiated the case for regularising the irregular expenditure only in November, 1974. The Government sanction was still awaited.

405. The departmental representative explained that the case was referred to the Station Headquarter, Jhelum and they showed their inability to convene a Court of Inquiry, because witnesses were not available, having either retired or died. The case had, therefore, been taken up with the Ministry for writing off the amount.

406. The Committee made no observation on the para.

407. *(Paras 8 & 12, pages 6 & 8—Audit Report—Defence Services).*—The Committee did not consider these paras as they pertained to the M.E.S. formation in East Pakistan (now Bangla-Desh).

408. *Infructuous expenditure due to hired flats remaining vacant. (Para 9, pages 6 & 7—Audit Report—Defence Services).*—The Committee did not take up the para as there was nothing material in it.

409. *Non-recovery of hire charges of fans installed in a building used as a cinema. (Para 11, page 7—Audit Report—Defence Services).*—The Auditor-General pointed out that hire charges of electric fans, installed in a Government building which was used as a cinema, amounting to Rs. 17,445 for the period from 29th November, 1952 to 31st December, 1968 were not recovered from the contractor. The administrative authority, which concluded the contract fixed in June, 1968 the responsibility for failure to recover the hire charges on the MES formation concerned. The Ministry of Defence had replied that, according to the findings of the Board of Officers, only Rs. 8,322 were required to be recovered from four contractors, who are not now working for any MES formation. As litigation would not be fruitful, the Ministry were considering to write off the amount. The Board of Officers did not hold anybody responsible for the loss.

410. As the matter was being submitted to the Government for writing off the amount, the Committee did not make any observation on this para.

411. *Short recovery of stores issued to a contractor. (Para 13, page 8—Audit Report—Defence Services).*—The Auditor-General pointed out that mild steel plates, not specified in the contract, were issued to a contractor from Government stock in 1966 and were charged at the market rate of Rs. 56.50 per 100 lbs., instead of the stock-book rate of Rs. 79.12, resulting in a short recovery of Rs. 4,932. The irregularity was pointed out in March, 1969.

412. The departmental representative stated that the money had since been recovered. The Auditor-General, however, disputed the recovery and maintained that it was in respect of another contract and not the one under consideration.

413. The Committee desired the Auditor-General to re-check the position with the department and report back to the Committee, if necessary.

414. *Non-accountal of stores worth Rs. 20,000. (Para 15, page 9—Audit Report—Defence Services).*—The Auditor-General pointed out that the department placed two indents on a contractor for the supply of crushed stones in 1965. Supplies were not effected and the indents were cancelled on the request of the contractor. The contractor invoked arbitration, claiming that some supplies had been made and Rs. 61,954 should be paid to him. The department rebutted the claim, but the arbitrator awarded the contractor Rs. 20,000 in August, 1967, without recording any reasons.

415. The departmental representative stated that the matter now stood regularised.

416. After further discussion on the para, the Committee made the following general observation :—

“ *Arbitration Act to be amended.*—The Committee had noticed that, in most cases, the Arbitrators did not record any reasons for their awards. The Government found it extremely difficult to successfully challenge, in a court of law, the awards given against them, because no reasons had been given therefor and it was not easy to establish the *mala fides* of the arbitrator in most cases.

The Committee strongly recommended that Government should consider the desirability of amending the Arbitration Act so that it became binding upon an Arbitrator to put down, in writing, the grounds for his award.”

417. *Falsification of Accounts leading to the loss of Rs. 20,000 and non-recovery of lease rent of Rs. 10,971. (Para 18, page 10—Audit Report—Defence Services).*—The Auditor-General pointed out that a camping ground comprising agricultural land was leased out by auction to a private party at Rs. 40,000 per annum. The lessee remained in possession of the land from May, 1964 to August, 1967. A lease agreement had not been executed with the lessee till August, 1967 when the lease was terminated. The lessee paid only Rs. 1 lac (for the period from May, 1964 to August, 1967) but an increased amount of Rs. 1.20 lac was shown as having been paid by accounting a cheque of the lessee for Rs. 20,000 twice over. Besides the short recovery of Rs. 20,000 the

rent for the period from May to August, 1967 amounting to Rs. 10,971 (after adjusting security deposit of Rs. 2,362) was also not recovered. The executive authorities intimated to him in June, 1968 that they will investigate the matter and recover the amount of Rs. 30,971 from the lessee's son, as the lessee had since died.

418. The departmental representative informed the Committee that (i) disciplinary action had already been taken against the individual responsible, who was dismissed from service, (ii) a suit was filed for the recovery of arrears of payment against the heirs of the deceased lessee. The hearing of the case was fixed for 9-10-1978, and (iii) advice of the Law Division was being obtained to make effective provision in the procedures for recoveries.

419. As the case was *sub judice*, the Committee did not make any observation. The matter was, however, to be reported back, after the court had given their verdict.

420. *Short recovery of rent (Rs. 13,902). (Para 19, pages 10 & 11—Audit Report—Defence Services).*—The Auditor-General pointed out that land measuring 13,200 sft. was leased by a Military Estate Officer for 6 months to a contractor on temporary licence from 1st June, 1968 for running a cinema. The rent of the land was fixed at Rs. 5 per 100 sft. per month on the ground that the standard table of rent for the locality had not been approved. The licence was renewed and rent was continued to be charged at this rate even after the standard table prescribed the rent to be Rs. 13.77 per 100 sft from 18th December, 1959 and Rs. 16.53 from the 30th September, 1965. This resulted in a short rent recovery of Rs. 13,902 up to June, 1970.

421. The departmental representative explained that this matter related to the Kharian Cantonment. The land in question was used for the purpose of an open air theatre. The use of the land was permitted by the military authority concerned at a rate which was approved by the Q.M.G. and the financial authorities in the Ministry of Defence. There were certain considerations for charging a lower rate. According to the Military authorities, it was reasonable because certain concessions had to be given by the cinema management to the troops. Kharian Cantt. was a new cantonment. There was, in the beginning, no civilian population in it. Recreation had to be provided to the troops, particularly when most of the time they had to remain out of the cantonment. The periods of the lease were extended from time to time according to the directions given by the local military authorities to the M.E.O., as a measure of welfare of the troops. The Department had wanted the management and the authorities to recover the standard table rent, but the Military Estate Officer said that the Cinema Management will not be able to run the cinema at that rent. Therefore, the rate should be reasonable according to the local situation.

422. The Auditor-General pointed out that the facts now stated were either not referred to Audit or their letter could have gone astray. He wanted to have a copy of that letter in which the Department had drawn attention for consideration of lower rate. Nevertheless the fact was that for a temporary lease it should not normally be extended beyond a year. Of course, the MED had discretion but this continued year after year. According to the Director Military Lands and Cantonments, temporary lease should not normally be extended. If a lease continues to be extended from year to year, it no longer remains a temporary lease. The Committee directed that the Ministry of Law should be

requested to clarify the difference between a temporary lease and a lease for long period. Government should amend the rules, clarifying the intent whether continued actual lease is a long term lease or a temporary lease.

APPROPRIATION ACCOUNT (CIVIL)

423. *Grant No. 2*—The Auditor-General pointed out that this grant contained variations. Though payments were made in the Central Circle but the debits were inadvertently accounted for both in the Central and Baluchistan Circles of account. Since the accounts of these circles for the relevant period had been closed, they could not reverse the adjustment.

424. The Committee did not make any observation on this para.

425. *Grants No. 26 (Group head 'A -1') and 98 (Group head 'K')*.—There was no material point for discussion under these group heads.

AUDIT REPORT (CIVIL)

426. *Infructuous expenditure on purchase of spare parts. (Para 2, page 20—Audit Report)*.—The Auditor-General pointed out that a Mission was required to procure 117 items of spare parts for repairs of engines. It placed an order for 17 items in November 1966. In March, 1967, the indenter informed the Mission that the requirements were under review. Nevertheless, in April, 1967, the Division placed an order for 60 more items for delivery in August, 1967. The indenter reduced the items in October, 1967 by which date an expenditure of \$ 21,956 had been incurred on the deleted items. The items were purchased at about ten times the estimated prices.

427. The departmental representative stated that the order was placed in April, 1967. Supply was to be completed in August, 1967 and the final reduction in demand came in August, 1967, without being processed through the proper channel. Accordingly, the reduction could not materialise. He further stated that it was not correct to presume that supplies were not required. In fact, this reduction had to be proposed on account of budgetary constraints.

428. The Chairman observed that this showed utter lack of coordination and involved payment of exorbitant prices. The purchasing agency had no authority to effect the purchase at any price.

429. As to the second observation, the departmental representative explained that the presumption may not be factually correct. The position is that an indenter does not always have the latest price available with him, for estimation. Accordingly, he estimates the price on the basis of the last supply, which could be four years back or two years back. He complained that this problem was still very much in existence.

430. After hearing the representative, the Committee did not make any further observation.

431. *Extra expenditure on purchase of stores. (Para 3, page 21—Audit Report)*.—The Auditor-General pointed out that Mission ignored the lowest offer of \$ 1,126 and purchased stores at \$ 4,057, although one of the items supplied was a reconditioned one. The Ministry had stated that the firm which gave the lowest quotation was not on the approved list. This did not seem to be correct. The quotations were apparently called for by the DGDP and, if

the firm had not been approved, the DGDP., would not have asked them to quote. Secondly, the firm whose quotation was rejected had indicated that the material was new, un-used and according to specification. He also stated that the procedure needed improvement.

432. After discussion, the Committee directed that the Ministry must take action against the officer responsible for accepting the quotation four times higher on the unfounded presumption that the supplier, who had quoted the lowest rate, would not be able to deliver the stores.

433. *Misappropriation of stock materials worth Rs. 19,900. (Para 41, page 35—Audit Report).*—The Auditor-General pointed out that during the local audit of a Division in September, 1969. Audit noticed that material worth Rs. 19,900, purchased from contractors, had not been accounted for in the T & P account. After about six years, the department reported in June, 1975 that the relevant records had been traced out showing that the material in question had been duly accounted for in the books. The Audit requested the department to produce the records for verification. They had not done so yet.

434. The departmental representative stated that there was one measurement book missing, which was still not traceable. The Army organisation, when it took over from the Civilian one, dismissed some people at that time. Due to this, the relevant documents are missing but they are making all possible effort to trace them out.

435. The Committee had no observation to make on this para.

436. *Non-recovery of electricity charges. (Para 43, page 35—Audit Report).*—The Auditor-General pointed out that, during local audit in November, 1969, it was noticed that Rs. 27,460 were recoverable from certain Government officers and private consumers on account of electricity charges. Out of this only Rs. 11,950 had been recovered up to February, 1972, leaving a balance of Rs. 15,510 yet to be recovered.

437. The departmental representative stated that, out of Rs. 27,000. (roundly) Rs. 23,600 had been recovered and only Rs. 3,783 remained outstanding. They are continuing efforts to recover the same from the government servants concerned.

438. The Committee did not make any observation on the para.

439. *Outstanding Inspection Reports, Audit Notes, etc. (Para 45, page 36—Audit Report).*—The Auditor-General pointed out that the Kashmir Affairs Division (Ministry incharge earlier) had not replied to a number of audit objections sent to them and because the Ministry of Defence now incharge had not yet sent replies to them.

440. The departmental representative assured the Committee that they will send the requisite replies to all the outstanding audit objections very soon.

441. *Outstanding periodical returns. (Para 46, page 37—Audit Report).*—The Auditor-General said that the Public Works Division are required to submit to Audit, on prescribed dates, certain returns, which are necessary for conducting the audit of their accounts. Audit had pointed out a large number of such returns up to the year ending the 30th June, 1971 which had not been submitted to them.

442. The departmental representative stated that seven returns are outstanding for want of record, which is lying with the Police. They are getting it back from the Police and will furnish the required return to the Audit as soon as possible.

443. The Committee did not make any specific observation. Audit will report back to the Committee, if the returns were not received.

444. *Outstanding adjustment memos. (Para 47, page 27—Audit Report).*—The Auditor-General pointed out that 77 adjustment memos, involving Rs. 16,63,468, relating to the period up to 30th June, 1971, had not been adjusted by the department till October, 1972. The department had since cleared 26 memos and had admitted the non-adjustment of the remaining memos, involving Rs. 10,47,859.

445. The departmental representative stated that the Secretary, Defence had asked him to emphasise that the matter had been taken up by them very seriously and he hoped that nothing will be outstanding. He informed the Committee that, out of 93 memos, 71 had been adjusted.

446. The Committee did not make any observation on the para.

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES (Pages 3—8)

447. *Non-recovery of government dues from contractors (Rs. 1,57,768) (Para 1, page 3—Interim Audit Report).*—The departmental representative stated that this case consisted of two portions. One pertaining to a contract for Rs. 89,677, where work was done at the risk and cost of the contractor and recovery became due from him. The contractor was not willing to pay. It was, therefore, proposed to go in for arbitration. The second part pertained to the recoveries of Rs. 63,091, of which only Rs. 25,000 could be recovered. Arbitration papers were being prepared for this case also.

448. The Committee desired that action be expedited in both the cases.

449. *Infructuous expenditure due to supply of inferior stores. (Para 2, page 3—Interim Audit Report).*—The departmental representative explained that a pipeline of 12" diameter, burst soon after it was laid. As such, the expenditure of Rs. 1.34 lac on it became infructuous. Effort was made to repair the pipeline and sell the old pipes by auction, so that the amount of loss could be reduced.

450. The Auditor-General stated that specifications of the pipe in the ESD were not known and it burst as soon as it was actually put to use.

451. The departmental representative informed the Committee that a Court of Inquiry was held and the pipeline had been auctioned for about Rs. one lac.

452. The Committee directed that a Court of Inquiry may be appointed to see whether a proper design was ever prepared in advance and, if so, whether the pipe supplied was according to that specification. If it is found that these basic exercises had not been done, action should be taken against those responsible for the default.

453. *Overpayment of Rs. 58,424 to a contractor. (Para 3, page 4—Interim Audit Report).*—The Committee noted that a case regarding recovery of Rs. 39,188 from a contractor was pending in the Civil Court, Peshawar. A second case, regarding recovery of Rs. 19,236, had been referred to arbitration. The Committee had no observation to make as the cases were *sub-judice*.

454. *Irregular issue of tools and plants to a contractor. (Para 4, page 4—Interim Audit Report).*—The departmental representative informed the Committee that the contractor had since agreed to the recovery of the amount due from him.

455. *Irregular payment to a contractor for construction of R.C.C. tanks. (Para 6, page 5—Interim Audit Report).*—In a formation, the cost of overhead water reservoirs for the officers' quarters, constructed under a lumpsum contract was paid through a Deviation order in June, 1973 on the ground that it was not included in the bill of quantities. Audit considered that the payment was not justified, as the contractor was to carry out the items of work in accordance with the drawings and specifications attached to the contract which included the construction of R.C.C. tanks for officers' quarters.

456. The departmental representative stated that the recovery pointed out by the Audit was not in order, as the item of R.C.C. tank was not included in the Bills of Quantities. Notwithstanding the above, the contractor was called upon to deposit the amount of overpayment pointed out by the Audit. The contractor deposited the recovery, but sought arbitration. The recovery was included in the M.E.S. claim, but the arbitrator gave a 'NIL' award. The decision of the arbitrator is binding on both the executive as well as Audit, as ruled by the Ministry of Finance and accepted by the M.A.G. vide u.o. No. At/MES/2257 dated 15-9-1965.

457. The Committee did not make any observation regarding this para.

458. *Non-recovery of the cost of work executed on behalf of the defaulting contractors. (Rs. 79,426). (Para 5, page 5—Interim Audit Report).*—In a MES formation, an incomplete and defective work was got completed at the risk and cost of the defaulting contractor in 1974.

459. Since no amount was due to the contractor, arbitration documents were initiated on 5th December, 1977 for recovering the amount. These are under reference with the MES and the contractor for signing the arbitration documents. Lastly, the documents were sent to the contractor on 16th August, 1978. The documents will be processed *ex-parte* if they are not returned by the contractor in a reasonable time.

460. The Committee desired that a report be submitted to them in due course, indicating the final result.

461. *Overpayment of outfit allowance to PMA Cadets (Rs. 8,32,980) (Para 7, page 6—Interim Audit Report).*—The departmental representative stated that the P.M.A., Kakul had been directed to hold a Court of Inquiry for fixing the responsibility. Further action to regularise the matter will be taken on the finalization of deliberations of the Court of Inquiry.

462. *Non-recovery of outstanding rent of land (Rs. 21,209) (Para 8, page 6—Interim Audit Report).*—The departmental representative stated that the matter in question is being referred to the Law Division for instituting civil suit for the recovery of the amount.

463. The Committee made no observation.

INQUIRIES ORDERED BY PAC

464. *Loss of Rs. 1,58,600 due to set cement. (Page 154, paras 20—22—PAC's Report for 1968-69 and 1969-70).*—The departmental representative stated that the relevant record had since been received and was being handed over to the Inquiry Committee. Further progress will be reported to the Committee.

465. *Loss of Rs. 56,684 due to shortage of stores. (Page 154, paras 23—26—PAC's Report for 1968-69 and 1969-70).*—The departmental representative stated that the relevant records were still with the Anti-corruption Department. They had referred the case to their Head Office in Islamabad. Certain enquiries were still going on. The Committee deferred the case.

466. *Excess payment of Rs. 24,697. Page 156, paras 31—32—PAC's Report for 1968-69 and 1969-70).*—The departmental representative stated that this case was also with the Inquiry Committee. The result of the Inquiry Committee is awaited. The Committee deferred the case.

467. *Non-recovery of Rs. 46,365 for defective work. (Page 158, para 47—PAC's Report for 1968-69 and 1969-70).*—The Audit were requested to report back to the P.A.C. after receipt of papers from the Ministry of Defence.

COMPLIANCE REPORT ON PAC'S REPORT FOR 1968-69 AND 1969-70

468. *Irregular payment of Rs. 60,600 to contractors. (Para 5, page 67—PAC's Report for 1968-69 and 1969-70).*—The Committee directed the Auditor-General to satisfy himself about this case. The Auditor-General stated that, whenever there was a lump sum contract, there was always a dispute. The predecessor committee had directed that, in future, lump sum contracts should be avoided as far as possible and should be given only in case of emergency.

469. The Committee directed that a circular be issued to all the Ministries/Divisions reiterating that lump sum contracts may, in future be given only in case of emergency.

470. *Un-authorized Financial Aid of Rs. 13,726 to a contractor. (Para 10, page 69—PAC's Report for 1968-69 and 1969-70).*—Audit to verify the departmental explanation.

471. *Overpayment of Rs. 3,156 due to short incorporation of stores. (Para 15, page 70—PAC's Report for 1968-69 and 1969-70).*—The Auditor-General confirmed that full recovery had since been made.

472. *Un-necessary remission hire charges of furniture (Rs. 8,090). (Para 16, page 70—PAC's Report for 1968-69 and 1969-70).*—The departmental representative stated that it was not possible to recover the amount from the pension of the persons concerned. They had, therefore, requested for writing off the amount.

473. *Short recovery of Rs. 15,799. (Para 17, page 70—PAC's Report for 1968-69 and 1969-70).*—The departmental representative stated that an arbitrator had since been appointed, but he had not yet finalised the case. The Committee directed the departmental representative to see as to why was the case dismissed *ex-parte* by the Court and who was responsible for it?

474. *Sale of stores valued at Rs. 22,689 for Rs. 1,850 (Rs. 20,839). (Para 47, page 80—PAC's Report for 1968-69 and 1969-70).*—The departmental representative stated that a Court of Inquiry was held and Mr. Bhatti was found responsible for it. He was asked to report to the Committee about the action taken against the official responsible for the loss sustained by Government.

475. *Fraudulent payment of Rs. 83,100 made to officers. (Para 73, page 87—PAC's Report for 1968-69 and 1969-70).*—The departmental representative stated that, in this case some officials were involved, one of whom was dismissed, three removed from service and one compulsorily retired.

476. The Committee did not make any observation on this para.

477. The Committee did not make any observation on other paras included in the compliance reports furnished by the Defence Division.

(b) AVIATION DIVISION

478. The next item on the Agenda was examination of the following accounts in respect of Grants controlled by the Aviation Division:—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Interim Audit Report on serious irregularities (Page 8).
- (iii) Reports about compliance on *specific* as well as *general* recommendations/directives etc., contained in the PAC's report on the accounts for 1968-69 and 1969-70.

479. The following departmental representatives were present:—

1. Mr. M. R. Mufti, Joint Secretary.
2. Mr. Z. A. Shah, Deputy Secretary.

480. This Division controlled the following grants:—

| Sl. No. | Name of Grant | Grant No. |
|---------|--|-----------|
| 1. | Ministry of Defence (Group head A-2 only). | 26 |
| 2. | Meteorology | 30 |
| 3. | Aviation | 31 |
| 4. | Development Expenditure of Defence (excluding group-heads 'H' and 'V') | 112 |
| 5. | Capital outlay on Civil Aviation | 113 |

APPROPRIATION ACCOUNTS

481. *Grant No. 30.*—The Auditor-General pointed out that the difference in the figures of actual expenditure between the Audit and departmental figures was due to non-reconciliation during the year 1970-71.

482. The Committee desired that particulars of post-surrender adjustments, should be made available to the departments by the Pakistan Audit Department to enable the former to reconcile the figures in time.

483. *Grant No. 51.*—The Auditor-General pointed out that there was an overall saving of Rs. 2.06 crore. After excluding the unutilised provision for East Pakistan, i.e., 51.41 lac and the amount surrendered, Rs. 21.84 lac, the saving was reduced to Rs. 1.32 crore. The departmental representative attributed this variation mainly to less adjustment under the sub-head F.1 Subsidy on cheap air fare between East and West Pakistan (Rs. 1.20 crore). The reconciliation between Audit and departmental figures of actual expenditure was not conducted by the Department during the year.

484. The Chairman observed that Audit may verify the departmental explanation.

485. *Grants No. 26 (Group head A-2), 112 (excluding group head 'H' and 'V') and 113.*—There was no material point in these grants.

AUDIT REPORT (CIVIL)

486. *Irregular expenditure of Rs. 11,37,069. (Para 6, page 21—Audit Report).*—The Auditor-General pointed out that Rs. 11.37 lac, received by the Department as hire charges of machinery and security deposits, were utilised to execute certain works for which funds were not available during the year 1969-70. According to the Department, the entire amount was adjusted (during September, 1970 to January, 1975) after funds became available. The irregularity of utilising receipts and deposits money for works had been condoned by the Ministry of Defence. Audit had verified this and detected the following shortcomings in the adjustments :—

- (i) 40% of the hire charges (Rs. 1.80 lac), which were required to be paid to the Government as depreciation charges of the machinery, were not credited to the Government.
- (ii) Rs. 81,000 was adjusted out of PAF works accounts instead of the Civil Aviation works accounts. It was confirmed by the Auditor-General that the adjustment of Rs. 81,000 had since been carried out and verified by Audit.

487. As regards (i), the departmental representative stated that the Ministry, in consultation with the Financial Adviser (Defence), had decided that this amount should not be paid to Government, but should go into the depreciation fund. This was the decision of his predecessor but his view is that this amount should be paid to the Government.

488. On an enquiry by the Chairman whether the Ministry of Defence is dealing with this case, the departmental representative affirmed the presumption.

489. *Loss due to shortage of spare parts and (ii) breakage of tools and plant articles etc. (Para 7, page 22—Audit Report).*—The Auditor-General pointed out that, in this case, shortages and breakage of machinery and spare parts were noticed in consignments received from a certain country under an agreement. The foreign supplier disowned responsibility as the packages were stated to have been despatched in good condition.

490. The departmental representative stated that the foreign supplier had subsequently supplied spare parts worth Rs. 4½ lac free of cost as a gesture of goodwill. He further informed the Committee that Government had written off the amount and sanction had been sent to Audit.

491. The Committee did not make any further observation on this para.

492. *Outstanding inspection reports, audit notes, etc. (Para 9, page 22—Audit Report).*—The Auditor-General pointed out that the Airport Development Agency did not reply to the Audit documents sent to them. According to the Ministry's revised reply the number of outstanding documents had been reduced which the Audit had not yet verified.

493. Audit was asked to verify the position.

494. *Non-recovery of Rs. 1,24,372, from the contractor. (Para 54, page 39—Audit Report).*—Audit pointed out that certain disputes between a contractor and the Airport Development Agency (ADA) were referred to Arbitrators who did not accept ADA's claim for fuel charges on the plea that this was to be paid for by the ADA and not the contractor. The departmental representative informed the Committee that legal advice had been obtained on this point and the amount written off. The sanction for write off had been admitted in Audit.

495. The Committee decided that the para be dropped.

COMMERCIAL ACCOUNTS

496. *Loss due to non-recovery of sale proceeds of tickets. (Para 188, page 150—Commercial Accounts).*—The departmental representative stated that, in this case, there were two objections, namely, (i) money was not realised in time from a Sales Agent, and (ii) cheques, drawn on a bank at Lahore instead of a local scheduled bank (at Peshawar), were accepted in contravention of the standing orders. They were dis-honoured and the PIA had lodged cases against the Agent. One case was in the High Court and the other in the Supreme Court.

497. He informed the Committee that remedial measures had been taken and no PIA agent is now allowed to give cheques drawn on banks other than the local scheduled banks. In this case, the Bank was also responsible and there is a case against the Bank also. He informed the Committee that the services of the officials at fault had already been terminated. Practically it was a bad bet.

498. As the case was *sub judice*, the Committee made no observation.

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES

499. *Loss of Rs. 17,113 in the Stores Accounts of an Organisation (Para 10, Page 8).*—The para was not pressed by the Auditor-General for lack of proof of tampering with the record.

COMPLIANCE ON THE PAC'S REPORT FOR 1968-69 AND 1969-70

500. The Committee considered the compliance furnished by the Division and made no observation.

(c) DEFENCE PRODUCTION DIVISION

501. The following accounts pertaining to Defence Production Division were examined :—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Interim Audit Report on serious irregularities (Pages 7 and 12 regarding extra expenditure on the purchase of Tractor (ii) Blockade of £ 11,407 and loss of interest).
- (iii) Reports about compliance on *specific* as well as *general* recommendations directives, etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70.

502. The following departmental representatives were present :—

1. Mr. Tariq Mustafa, Additional Secretary, Incharge.
2. Mr. Talib Hussain, Section Officer.
3. Mr. M. M. Saeed, D.I.C.R.

503. There was no material point in the Appropriation Accounts|Audit Report (Defence Services) pertaining to this Division.

COMMERCIAL APPENDIX (DEFENCE SERVICES)

504. *Un-necessary blocking of Government funds and undue favour to a supplier (Para 17, page 9—Commercial Appendix—Defence Services).*—The Auditor-General pointed out that the Pakistan Ordnance Factories, Wah Cantt. placed an order on a firm in June, 1966 for supply of 110 tons of R.S. Joists of different sizes and the firm supplied 63 tons and 13 cwt of the material in August, 1966. It was found to be undersized and rejected. Due to urgency in completing the project the design was changed to R.C.C. and the project was completed accordingly. Instead of returning the rejected material, it was accepted at 2½% reduced price and the supplier was asked to supply the remaining quantity, which he did about two years after the time stipulated in the agreement. This resulted in blocking of funds of Rs. 1,93,703.

505. The departmental representative stated that all these items were needed urgently and the POF decided to accept the supplies with a small deviation, at 2½% reduced price. Replying to a question, he stated that 34 tons of material remained un-used by 1972.

506. The Chairman observed that, despite the reported urgency, 34 tons were still left to be used, indicating that all the material was not required so urgently. The departmental representative stated that this material was required for 5½ buildings, whose designs were later changed. The stock was left over for this reason.

507. The Committee did not make any further observation in this matter.

508. *Outstanding recoveries for private use of staff cars. (Para 20, page 10—Commercial Appendix—Defence Services).*—The objection related to permission granted by POFS to their civilian as well as service officers of junior rank for the private use of staff car on payment of Rs. 150 per month.

509. At the suggestion of the Auditor-General, the Committee accepted the departmental explanation and the para was dropped.

510. *Loss on account of disposal of brass swarf through negotiation. (Para 76, page 60—Commercial Appendix—Defence Services).*—W.I.L. sold 7,156 tons of brass swarf to a firm at a negotiated price, which appeared to be low.

511. The departmental representative stated that the swarf sold was contaminated. After hearing the departmental representative, the Auditor-General recommended that the objection may be dropped subject to verification by Audit.

512. The Committee accepted the recommendation.

513. *Para 77, page 60—Commercial Appendix—Defence Services.*—The W.I.L. contracted to sell 100 tons of brass swarf to a firm @ Rs. 5,000 but allowed the firm to lift 170 tons against the contracted quantity of 100 tons. The price of swarf went up after about two months. Apparently, it seemed to involve loss to the Government.

514. After discussion, the Committee accepted the departmental explanation and decided to drop the objection.

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES

515. *Extra expenditure on the purchase of Tractors (Para 9, page 7).*—The departmental representative stated that a Court of Inquiry is in progress since June, 1978. There is some difficulty in getting witnesses and presenting the facts. A report will be submitted to the Committee as soon as available.

516. *Blockade of £ 11,407 and loss of interest (Para 2, page 12—Interim Audit Report).*—The Auditor-General pointed out that £ 11,407 was remitted to Pakistan Mission in December, 1971 for the purchase of machinery which could not be purchased till March, 1975. The amount was kept in the current account of a bank for about 4 years. Had it been kept in a deposit account, it would have fetched an interest of approximately £ 900.

517. The departmental representative stated that, first of all the plant was expected to be supplied by a Czechoslovakian firm who could not do so. Therefore, the Mission contacted another firm. They were keeping the money handy, so that there may be no bottleneck on their account. The machine was meant for sensitive operations. Samples had, therefore, to be obtained in advance and got approved before the actual supply of the plant. The process consumed 3-4 years.

518. The Committee directed that, whenever payment of an amount in a foreign country was not imminent within three months, the amount must be kept in the deposit account of a Pakistani Bank in that foreign country and the bank should be asked to pay commercial rates of interest on the deposit.

**COMPLIANCE REPORT ON THE PAC'S REPORT FOR THE YEAR
1968-69 AND 1969-70**

519. *Loss of Rs. 9,90,020 due to undue favour to a Contractor (Para 77, pages 88-89—PAC's Report for 1968-69 and 1969-70).*—The previous PAC had observed that there was no justification in making payment to the firm at a higher rate without any increase in the POF's marginal cost. The departmental representative was directed that the matter should be investigated and explanations called for, so that charges could be framed against the defaulters.

520. The departmental representative stated that a Court of Inquiry held some persons responsible. In fact, the price structure should have been reviewed and sent to the Ministry for approval. But the POF's Board contended that the Board enjoyed the powers of the Central Government and was competent to enter into negotiations.

521. After having heard the departmental representative, the Committee observed that the point was whether the Ministry considered the price increase justified. The Ministry should go again into the merits of the case and see whether any action was required to be taken in the matter.

522. *Irregular payment of Rs. 1,10,003 on account of special compensatory allowance (para 78, page 89 PAC's Report for 1968-69 and 1969-70).*—The departmental representative informed the Committee that the payment of compensatory allowance had since been stopped and recovery of the amount, already drawn by the officials, had been waived by the POF's Board, in consultation with the Ministry of Defence, because the officials drew the allowance in good faith and recovery at this belated stage would have caused undue hardship to them.

523. The Committee made no observation on this para.

524. *Wasteful expenditure of Rs. 4,30,108 incurred on trucks.*—The Auditor-General pointed out that the previous Committee had directed that inquiries should be made to determine whether anyone was responsible in this case. If so, action should be taken against him.

525. The departmental representative stated that an inquiry was held in the matter. Responsibility for the loss could not be fixed upon any particular person. A loss of Rs. 16,005.43 had already been regularised. The remaining amount will, therefore, have to be written off.

526. The Committee made no further observation on the above report.

526A. The Committee considered compliance furnished by the Division in respect of remaining paras and made no observation.

527. The Committee adjourned to meet at 9.30 A.M. on the 11th October, 1978.

M. A. HAQ,
Secretary.

ISLAMABAD :
The 15th January, 1978.

NATIONAL ASSEMBLY SECRETARIAT

SIXTH MEETING

11th October, 1978

528. The *Ad-hoc* Public Accounts Committee met in the State Bank Building, Islamabad, at 9.30 A.M. The following were present:—

Ad-Hoc P.A.C.

- | | | |
|---|----|------------------|
| 1. Mr. A.G.N. Kazi, Governor, State Bank of Pakistan | .. | <i>Chairman.</i> |
| 2. Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. | | <i>Member.</i> |
| 3. Mr. Abdul Qadir, former Chairman, Railway Board | .. | <i>Member.</i> |
| 4. Mr. Yusuf Bhai Mian, Chartered Accountant | .. | <i>Member.</i> |

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. I. H. Siddiqi, Deputy Secretary.
3. Mr. Abdul Halim, Assistant Secretary.

Audit

1. Mr. Abdul Hamid, Auditor-General of Pakistan.
2. Mr. Khalid Rafique, Deputy Auditor-General (A&R).
3. Mr. Mashkoo Ahmad Khan, Accountant General, Pakistan Revenues.
4. Mr. A. Majid Khan, Director, WAPDA Audit.

Ministry of Finance

Mr. Inam-ul-Haq, Joint Secretary.

MINISTRY OF LABOUR AND MANPOWER

529. The first item on the Agenda was examination of Grants controlled by the Labour Division.

(a) LABOUR DIVISION

530. The following accounts in respect of grants controlled by the Labour Division were considered by the Committee:—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Reports about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

531. The following departmental representatives were present:—

1. Mr. Imtiaz Ahmed Chaudhry, Joint Secretary.
2. Mr. S.H. Tirmzey, Deputy Secretary.

532. This Division controlled the following grant :—

| Name of Grant. | Grant No. |
|---|-----------|
| Labour and Social Welfare Division (Group heads 'A', 'C' and 'D') | 63 |

533. There was no material point for discussion by the Committee relating to the Labour Division. However, the Committee desired to have the details of excess expenditure of Rs. 14,347, attributed to Miscellaneous contingent expenditure.

534. The requisite details of expenditure, as booked by the AGPR after the close of financial year 1970-71 through book adjustment, was supplied by the Division as below :—

| | |
|---|---------------|
| | Rs. |
| (a) Advertisement charges | 8,050 |
| (b) Supply of Gazette of Pakistan and other Government publications | 4,570 |
| (c) Repairs of Staff Car | 1,727 |
| Total | 14,347 |

535. The Committee made no further observation.

COMPLIANCE ON PAC'S REPORT FOR 1968-69 AND 1969-70

536. The Committee made no observation on the compliance furnished by the Division.

(b) MANPOWER DIVISION

537. The next item on the Agenda was examination of grants controlled by the Manpower Division.

538. The following accounts in respect of grants controlled by the Manpower Division were considered by the Committee :—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Reports about compliance on *specific* as well as *general* recommendations/directives, etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70.

539. The following departmental representatives were present :—

1. Mr. Imtiaz Ahmad Chaudhry, Joint Secretary.
2. Mr. Khalique Ahmad Khan, Deputy Secretary.

541. This Division controlled the following grants :—

| Sl. No. | Name of grant. | Grant No. |
|---------|--|-----------|
| 1. | Labour and Social Welfare Division (Group heads 'B' and 'E' only) | 63 |
| 2. | Other expenditure of Labour and Social Welfare Division (excluding Group head 'B') | 64 |
| 3. | Development expenditure of Labour and Social Welfare Division (Group head 'V' only). | 122 |

APPROPRIATION ACCOUNTS

541. *Grant No. 63 (Group Heads 'B' and 'E')*.—While discussing the excess in this grant the Committee desired the Auditor General to clear the 'suspense' account to the maximum extent possible.

542. The Committee noticed that huge sums were lying unadjusted in 'suspense' accounts. No serious effort appeared to have been made, so far, to liquidate these amounts by transfer to appropriate heads of account. The amounts were continuing to mount, from year to year, without any visible sign of liquidation. The Committee expressed their deep concern over this state of affairs and desired that serious effort must be made by all concerned to clear the suspense account, as expeditiously as possible. The Committee also desired that practicable procedures should be devised to prevent accumulations in the 'suspense' accounts. Finance Division may have this issue examined, in consultation with the Auditor-General. [See para 143(vii)ante].

543. A member of the Committee requested the Auditor-General to find out the head in which the money (Rs. 1.65 lac) paid by the department had been credited. The Chairman observed that it must be in the suspense account. Audit was to verify the position.

544. *Grant No. 64 (excluding Group head 'B') and Grant No. 122 (Group head 'v')*.—There was no material point in these grants.

COMPLIANCE ON PAC'S REPORT FOR 1968-69 AND 1969-70

545. The Committee made no observation on the compliance furnished by the Division.

TOURISM DIVISION

546. The next item on the Agenda was examination of grants controlled by the Tourism Division.

547. The following accounts in respect of grants controlled by the Tourism Division were considered by the Committee :—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Interim Report on serious irregularities (page 2).
- (iii) Reports about compliance on *specific* as well as *general* recommendations|directives, etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70.

548. The following departmental representatives were present :—

1. Mr. M. Zafar Alam, Joint Secretary.
2. Mr. Ahmad Shamsul Huda, Deputy Secretary.
3. Mr. Moinuddin Ahmad, O.S.D. (F&A).

549. The departmental representative informed the Committee that Secretary, Tourism Division being abroad and Joint Secretary, Tourism being also away, he was representing the Tourism Division in their absence.

550. The Division controlled the following grants :—

| Sl. No. | Name of Grants. | Grant No. |
|---------|---|-----------|
| 1. | Ministry of Defence (Group head A-3) Aviation Division (Tourism Cell) | 26 |
| 2. | Other expenditure of Ministry of Defence (C-Bureau of Tourism). | 32 |
| 3. | Development expenditure of Ministry of Defence (Group Head 'V' Tourism) | 112 |
| 4. | Capital outlay on investment in Tourism Development Corporation | 115 |

APPROPRIATION ACCOUNTS

551. *Grant No. 26 (Group head A-3 Tourism Cell).*—The departmental representative stated that, though the Tourism Cell came into being from 1-12-1970, it continued to use the code of the Aviation Division, as no separate code number had been allotted to the Cell. The result was that the expenditure amounting to Rs. 3.94 lac was booked under sub-head 'A. 2-Aviation Division'. Audit pointed out that even after adjusting this amount against the departmental figures of Rs. 6.02 lac, there still remained an unadjusted amount of Rs. 2.08 lac, the details of which had not been supplied by the Department.

552. The Committee directed the departmental representative to give details of expenditure to enable Audit to check them.

553. *Grant No. 32 (Group head 'C' Bureau of Tourism).*—The Committee noted that, against the final grant of Rs. 17.83 lac, an expenditure of Rs. 19.19 lac was incurred. It was stated that the excess of Rs. 1,36,049 was due to the reason that the grant could not be worked out accurately owing to shortage of staff as the department was disbanded and a small cell was created in the Aviation Division, to deal with policy matters etc.

554. *Grant No. 112 (Group head 'V' Tourism).*—The Committee observed that the department did not know correctly the reasons of excess in the grant, as no accounts appeared to have been maintained at all on the plea that they did not have sufficient staff. The accounts had also not been reconciled with the Audit. The Committee directed the departmental representative to furnish the following information to the Committee :—

- (i) what was the number and category of staff employed and the period of their employment; and
- (ii) whether any account was maintained at all and why was it not reconciled with the Audit?

555. *Grant No. 115*—There was no material point in this grant.

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES

556. *Loss of Rs. 4,750 due to non-occupation of premises taken on rent (Page 2).*—The departmental representative stated that civil suit had been filed for the recovery of Rs. 15,000 paid as advance money for the premises of Press Associates Limited. The matter is still *sub-judice*.

557. In reply to a query, the departmental representative stated that the hired accommodation was approved by the then acting Managing Director of the Corporation, Mr. Aftab Ahmad Khan, and the Chairman, Mr. Fancy. However, later on, a change of management took place and the new Managing Director did not approve of the proposition.

558. The Committee did not make any further observation in the matter.

COMPLIANCE REPORT ON THE ACCOUNTS FOR THE YEAR 1968-69 AND 1969-70

559. *Loss due to short supply of a publication and its incorrect stock accounting (Rs. 31,625) (Para 15 page 52,—Audit Report for 1969-70 and page 33—para II PAC's Report for 1968-69 and 1969-70).*—The previous PAC had directed that a full-fledged inquiry be held into the case and a statement of distribution of the publicity material (Dacca Folders) submitted to the Committee.

560. The departmental representative stated that Mr. Inrar, the then Joint Secretary, had constituted an Inquiry Committee. The inquiry revealed that it was a clerical error and the Assistant concerned had since retired.

561. The Committee did not make any further observation.

562. *Drawal of Advance in anticipation of demand and its non-accountal (Rs. 1,81,031). (Para 16—Page 52 of Audit Report 1969-70, para 13—Page 33 PAC's Report for 1968-69 and 1969-70).*—The Committee directed the Audit to pursue and verify the departmental reply.

WATER AND POWER DIVISION

563. The next item on the Agenda was examination of the following reports relating to Water and Power Division :—

(i) Interim Audit Report on serious irregularities in respect of WAPDA (Pages 47—62).

(ii) Reports on the following Inquiries ordered by the PAC :—

1. Loss of Rs. 13,729, due to non-recovery of cost of material from a contractor. (Page, 126, para 14 of PAC's Report for 1968-69 and 1969-70).
2. Loss of Rs. 14,750, due to acceptance of plant and equipment below specification. (Page 127, para 16 of PAC's Report for 1968-69 and 1969-70).
3. Expenditure on the purchase of air-conditioners in excess of requirement, (Rs. 1,42,305.) (Page 133, para 64 of PAC's Report for 1968-69 and 1969-70).
4. Un-allocated expenditure of Rs. 2,09,99,073. Para 49/ante.
5. Difference in figures under Head Office. Para 52/ante.
6. Embezzlement of cash Rs. 5,12,400 Para 70/ante.
7. Payment of Interest to the extent of Rs. 4,30,385 in foreign exchange due to late payment of value of plant. Para 72/ante.
8. Mis appropriation of cash amounting to Rs. 28,652. Para 77/ante.
9. Non accounting of stores valuing about Rs. 27,146. Para 78/ante.
10. Embezzlement of material worth Rs. 18,000 and fictitious drawal of salary. Para 82/ante.

- (iii) Reports about compliance on *specific* as well as general recommendations/directives, etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

564. The following departmental representatives were present :—

1. Mr. Tajamal H. Hashmi, Secretary.
2. Mr. N.C. Syed, Member Water (WAPDA).
3. Mr. Nuzhat Hasan, Member (Finance).

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES IN RESPECT OF WAPDA

565. *Non-recovery of liquidated damages amounting to Rs. 20,03,159. (Para 1, page 47 Interim Audit Report).*—The Committee directed the departmental representative to send a note, explaining the position of this case, before the 18th November, 1978 when the Committee was scheduled to meet next.

566. *Avoidable expenditure of Rs. 50,276 on account of payment of interest and Rs. 751 as court expenses (Para 2, page 48 Interim Audit Report).*—The departmental representative explained that their Legal Adviser held the view that there were certain defaults in the conduct of the arbitrator and sufficient grounds existed for challenging the award in a court of law. Accordingly, the suit was filed and expenditure incurred thereon.

567. The Committee accepted the explanation.

568. *Payment of Rs. 25,23,557 to a contractor for disposal of 'Spoilage' used in temporary works (Para 3, page 50 Interim Audit Report).*—The Auditor-General pointed out that the department was taking the plea that the contractor used the material during construction and, on the completion of the project, i.e., the temporary work, disposed of the material in the spoil areas, without any extra cost to the employer. He stated that, if this is established to be factually correct, Audit would be prepared to withdraw the objection, but the department had not been able to produce any evidence in support of their statement.

569. The departmental representative stated that the spoilage was ordinary earth. The Committee observed that the issue was technical and legal in nature. Once the engineer has allowed the use of a material and it ceased to be spoil, it would not qualify for payment for its removal as spoil. It would be advisable if the advice of the Law Division is also obtained.

570. *Extra payment in respect of material excavated from contact area and used in the construction of embankments. (Para 4, page 52 Interim Audit Report).*—The Committee desired to be satisfied whether the credit afforded at rupee one per cubic yard for the excavated material, which was to be spoiled but was used in construction, constituted sufficient compensation. The departmental representative promised to furnish to the Committee detailed information on the point.

571. *Irregular payment of Rs. 15,40,676 to a contractor on account of rail freight. (Para 5, page 54, Interim Audit Report).*—The departmental representative informed the Committee that they had decided to go in for Arbitration in this case.

572. *Uneconomical expenditure of Rs. 1,95,000 by ignoring the lowest bid (Para 6, page 56, Interim Audit Report).*—The departmental representative explained that this case related to installation of tube-wells, where 4 contractors had submitted bids for the entire work comprising four units but the work was later on split up into 4 units and each contractor was allotted one unit. He also stated that none of the contractors could complete the work within the stipulated time and all of them were granted extension for about one year, during which period they completed the work. The reason why the work was distributed was that the available contractors were very small contractors.

573. After discussion, the Committee made no further observation on the para.

574. *Wasteful Expenditure of Rs. 87,000 on Account of Payment of Bonus. (Para 7, page 59—Interim Audit Report).*—After hearing the departmental representative the Committee accepted his explanation.

575. *Avoidable Payment of Rs. 1,60,151. (Para 8, page 60—Interim Audit Report).*—The departmental representative said that the issue was that whether the particular material available was suitable for use or not and the engineers had decided that the material was not suitable.

576. The Auditor-General stated that, as the amount was small, he would not press the objection.

577. The Committee did not make any further observation on the para.

REPORTS OF ENQUIRIES ORDERED BY PAC

578. *Unallocated Expenditure of Rs. 2,09,99,073. (Para 59 ante).*—The departmental representative informed the Committee that a balance of Rs. 21,10,602 against Rs. 2.09 crore still remained to be adjusted.

579. The Committee directed the departmental representative to furnish them the latest figures of adjustments.

580. The departmental representative promised to furnish the information to the Committee when it meets in November, 1978.

581. *Difference in figures under Head Office. (Para 52 ante).*—The Auditor-General stated that there was some difference between the figures of Audit and the department but, since the amount had been written off the difference would not matter materially.

582. *Embezzlement of cash Rs. 5,12,400 (Paras 70-71 ante).*—The departmental representative stated that they had charge-sheeted 29 persons who were either involved directly or failed to discharge their supervisory duty. Action had been finalised against 23. Out of the remaining 6, three were WAPDA employees and three were the employees of Audit. The case is presently pending in the court of Anti-corruption Judge, as registered by the DIG Crimes. They have been reminding the DIG (Crimes) to get case expedited. An XEN, S.D.O. and Divisional Accountants, who were actually responsible for the maintenance of accounts, have also been charge-sheeted.

583. *Payment of Interest to the extent of Rs. 4,30,385 in Foreign Exchange due to late payment value of Plant. (Para 72 ante).*—The Committee observed that there was a fault in drafting the agreement. They desired that the department should be more careful in future.

584. *Misappropriation of cash amounting to Rs. 28,652. (Para 77, ante).*—The departmental representative informed the Committee that ex-chasier was suspended on 18th September, 1976. The case for prosecution sanction was sent to the Ministry of Water and Power and the sanction was still awaited.

585. The Committee directed the departmental representative to take quick action in the matter.

586. *Non-Accounting of Stores Valuing Rs. 27,146 (Approx) (Para-78, ante).*—The Committee directed that the department should expedite the case.

587. *Embezzlement of material worth Rs. 18,000 and fictitious drawal of salary. (Para 82, ante).*—After discussion the Committee did not make any observation on this para.

COMPLIANCE REPORT ON THE ACCOUNTS FOR THE YEAR 1968-69 AND 1969-70

1968-69

588. *Extra expenditure of Rs. 12,07,579 due to failure on the part of contractor. (Para 11, page 126 of PAC's Report for 1968-69 and 1969-70.*—The Committee noted that the additional cost could not be recovered from the contractor, as the Arbitration proceedings and the award went in his favour.

589. *Loss of Rs. 13,729 due to non-recovery of cost of material from a Contractor. (Para 14, page 126 of PAC's Report for 1968-69 and 1969-70.*—The departmental representative stated that the Chief Engineer, who gave this contract to a contractor, although the contractor had no equipments and technical personnel, had since been retired from service.

590. The Committee remarked that timely strict action should have been taken by the department against the Chief Engineer. This case may not be quoted in the future as precedent for not taking timely strict action in the future.

591. *Loss of Rs. 14,750 due to acceptance of Plant and Equipment below specification. (Para 16 page 127 of PAC's Report for 1968-69 and 1969-70).*—The Committee decided that the loss may be written off, the persons at fault be traced and action taken against them.

(a) *Non-Recovery of Rs. 5,36,074 from a Contractor (Para 22, Page 127 of PAC's Report for 1968-69 and 1969-70).*

(b) *Misuse of Import Permit of Rs. 6,31,000 by the Contractor (Para 24, Page 128 of PAC's Report for 1968-69 and 1969-70).*

592. The departmental representative informed the Committee that decision of the Court in these cases were still awaited.

593. *Unjustified expenditure of Rs. 90,56,468 on unauthentic use of Plant and Machinery etc. (Para 38 page 130 of PAC's Report for 1968-69 and 1969-70).*—After discussion, the Committee accepted the departmental explanation subject to verification by Audit.

594. *Irregular payment of Rs. 32,062 for the construction of an access Road. (Para 55, page 132 of PAC's Report for 1968-69 and 1969-70).*—The Committee directed Audit to verify the record produced by the Department.

COMPLIANCE REPORT ON ACCOUNTS FOR THE YEAR 1969-70

595. *Irregular payment covered by overall settlements. (Para 51, page 131 of PAC's Report for 1968-69 and 1969-70).*—The departmental representative promised to supply the remaining record to the Audit, for verification.

596. *Expenditure on the purchase of Air-Conditioners in excess of requirement (Rs. 1,42,305). (Para 64, page 133 of PAC's Report for 1968-69 and 1969-70).*—After discussion, the Committee dropped the objection.

597. *Overpayment of Rs. 3,58,174 to a contractor. (Para 67, page 133 of PAC's Report for 1968-69 and 1969-70).*—Since the Audit had verified the record produced by the Department this para has been settled.

598. *Avoidable expenditure of Rs. 1,15,243 on supply of water through Tankers. (Para 69 page 134 of PAC's Report for 1968-69 and 1969-70).*—As necessary instructions have been issued to all concerned, the Committee decided to drop the objection.

599. *Incorrect payment for land compensation of Rs. 46,562 to wrong persons. (para 71, page 134 of PAC's Report for 1968-69 and 1969-70).*—The Report of this case is still awaited from the Anti-corruption department, Peshawar. The Authority was pursuing the case.

600. *Un-usual debit balance in the land compensation accounts (Rs. 61,94,072). (Para 76, page 135 of PAC's Report for 1968-69 and 1969-70).*—The departmental representative informed the Committee that formal acceptance of A.J.K. Government to their debit balance was still awaited.

601. The Committee then discussed some general points regarding new classification, suspense account, preparation of accounts expeditiously and format of the appropriation accounts etc.

602. The Committee then adjourned to meet again at 9.30 A.M. on 12th October, 1978.

M. A. HAQ,
Secretary

Islamabad,
the 18th January, 1979.



12th October, 1978

7th Meeting

603. The *Ad-hoc* Public Accounts Committee met in the State Bank Building, Islamabad, at 9.30 A.M. The following were present :—

Ad-Hoc P.A.C.

1. Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Chairman.*
2. Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. .. *Member.*
3. Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*
4. Mr. Yusu Bhai Mian, Chartered Accountant *Member.*

National Assembly Secretariat

1. Mr. M.A. Haq, Secretary.
2. Mr. I.H. Siddiqi, Deputy Secretary.
3. Mr. Abdul Halim, Assistant Secretary.

Audit

1. Mr. Abdul Hamid, Auditor General of Pakistan.
2. Mr. Khalid Rafique, Deputy Auditor-General (A & R).
3. Mr. Mashkoor Ahmad Khan, Accountant General, Pakistan Revenues.
4. Mr. S.I. Shabbir, Director, Railway Audit.

Ministry of Finance

Mr. Inam-ul-Haq, Joint Secretary.

MINISTRY OF RAILWAYS

604. The following accounts in respect of grants controlled by the Ministry of Railways were considered by the Committee :—

- (i) Appropriation and other accounts and Report relating to 1970-71 in respect of Pakistan Railways.
- (ii) Interim Audit Report on serious irregularities (pages 27—46).

605. The following departmental representatives were present :—

1. Mr. Hasan Zaheer, Secretary.
2. Mr. Gulzar Ahmad, Chairman.
3. Mr. K. Shafqat Ali, Finance Member.
4. Mr. R. A. Qureshi, Financial Adviser and Chief Accounts Officer.
5. Mr. Safdar Mir, Member (Mechanical).

606. This Division controlled the following grants :—

| Sl. No. | Name of grant. | Grant No. |
|---------|---|-----------|
| 1. | Ordinary Working Expenses General Administration .. | 1 |
| 2. | Ordinary Working Expenses Repairs and Maintenance .. | 2 |
| 3. | Ordinary Working Expenses operating Expenses | 3 |
| 4. | Improvement and Welfare | 4 |
| 5. | Appropriation to Funds, Payment of return on Government Capital Investment and Miscellaneous other Expenditure .. | 5 |
| 6. | Expenditure not met from Revenue | 6 |
| 7. | Contingency item | 7 |

APPROPRIATION ACCOUNTS (PAKISTAN RAILWAYS)—1970-71

607. Before taking up the Appropriation Accounts, the Committee discussed general matters relating to Pakistan Railways, such as efficiency of budgeting, excesses over grants and modernising the system of accounts covering various aspects of accounting like revenue accounting, general accounting and capital stores received on account of (i) revenue (ii) development (iii) shop manufactured items (iv) material returned from shops and inventory control etc.

608. *Revenue Expenditure*.—The Committee noted that aggregate funds obtained under the revenue (Grants No. 1 to 5 & 7) amounted to Rs. 81.27 crore, including supplementary grants of Rs. 32.99 lac. The actual expenditure amounted to Rs. 72.86 crore, resulting in a saving of Rs. 8.4 crore.

609. The Chairman observed that, from the savings that accrued under the various grants, it was evident that revised estimates were not correctly prepared and supplementary grants obtained on the basis of revised estimates were completely unnecessary and unjustified. The demand for supplementary grant comes before the Assembly well before the end of the financial year. The department was obviously not aware of expenditure levels till the very close of the financial year otherwise the question of obtaining any supplementary demand should not have arisen.

610. It was seen that the reasons given for saving of Rs. 22 lakh (Grant No. 1) were non-receipt of material from abroad and less expenditure on contributions to Provident Fund and gratuities. The Committee observed that it was difficult to understand as to how the position regarding these items could not be foreseen before June.

611. A Member of the Committee remarked that cases of gratuities and pensions of poor employees remained pending for years together. The departmental representative explained that a number of documents, such as identity certificates, succession certificates and, in some cases guardianship certificates were required before deciding such cases and legal formalities had also to be completed.

612. The departmental representative further informed the Committee that only 60% of the total revenue was being spent on operational expenses, of which 53% to 60% went on wages and salaries.

613. During discussion, it was pointed out that, under the Interim Constitution, Railways came under the Federal Government and from the 1st July, 1970, the Railways were managed by the Federal Government on behalf of the Provincial Governments. The accounts pertained to the period (1970-71) when the Railways were legally under the control of the Provincial Governments. A member of the Committee asked whether the West Pakistan Government or the successor Government were responsible for loan re-adjustments. The departmental representative stated that they will look into the agreement that may have been reached between the Federal and Provincial Governments at that time.

614. Replying to a question, the departmental representative stated that there was a loss of about Rs. 7 crore in 1969-70. The situation started deteriorating around 1964-65. Firstly, the allocations during the Second Plan were not enough for the Railways to meet their expenditure or to replace its condemned assets. A further cut was then imposed after the 1965 war. This was the period from which the Railways started entering into an era of stagnation. What happened was that the Railways went into deficit because they could not pay the fixed return to the Government. They were able to meet their operational expenditure, but when they could not make sufficient provisions for their depreciation reserve fund, loans had to be taken from the Federal Government.

615. Speaking about the budgetary position, the departmental representative stated that this year the budgeted position was satisfactory. On an enquiry regarding profit/loss during 1977-78, the departmental representative replied that there was a net profit of about Rs. 25 lakh. The latest picture may be even brighter after the closing of accounts and profits may go up to rupees one crore.

AUDIT REPORT (PAKISTAN RAILWAYS) 1970-71

616. *Loss amounting to Rs. 77,074 due to lack of proper planning. (Para 1 (a), Page 11, Audit Report—Pakistan Railways).*—The departmental representative stated that after Government decided to construct the D. G. Khan section, it was anticipated that the number of trains and traffic would increase and opening of one single station would not be enough to cope with the situation. A plan was also made to double the lines. This work was sanctioned on urgency certificate in 1961-62. The same year, material costing Rs. 1,66,800 was brought from the stores depot to the site of work. Freight charges amounting to Rs. 1,267 were incurred on its transportation.

617. The Committee remarked that if it was an urgent work in 1961-62, why was it not completed during the next 10 years. The departmental representative explained that since the acquisition of land was delayed, the plan was subjected to re-thinking from time to time. The Chairman remarked that there had been considerable delay in the execution of this work. This has been a chronic problem in the Railways.

618. No further observation was made by the Committee on this para.

619. *Wasteful expenditure and loss of earnings of more than Rs. 40,000 (Para 1 (b), Page 11, Audit Report—Pakistan Railways).*—The Railway Administration decided in May, 1967 to provide three block stations on a certain section of the Railway with a view to reduce the length of the block section and to increase the sectional capacity to obviate the detention of trains. Construction of these block stations was started on priority basis and the structure and Permanent-Way portion of these works were completed in November, 1968 at a cost

of Rs. 28.5 lakh. The delay in the opening of these stations for traffic, which was due to delay in the completion of signalling work, resulted in a loss to the Railways Administration. The departmental representative stated that it had now been decided to open only those stations which the signalling department could adequately cope with. They have so far been working on the old signal system but, from this year, they are going to colour the lights. Subsequently, they will extend it further.

620. The Committee did not make any observation on the above explanation.

- (i) *Infructuous expenditure of Rs. 4,00,000 on the construction of a Control Office.*—[Para 1 (c), Page 12].
- (ii) *Infructuous expenditure of 4,56,643 on construction of a bye-pass link.*—[Para 1 (d), Page 12].
- (iii) *Infructuous expenditure of Rs. 16,000 approximately on the construction of a weigh-bridge.*—[Para 1 (e), Page 12].

621. After discussion, the Chairman remarked that lack of co-ordination and proper planning was clearly noticeable in these cases.

622. *Loss on revaluation of surplus stores Rs. 26,59,646*—(Para 2, Page 13, *Audit Report—Pakistan Railways*).—The departmental representative stated that diesel locomotives were purchased from abroad about 20 years ago. At that time, the Railways had no practical experience in the line of such locomotives. They had to rely on the recommendation of the Manufacturer for keeping the inventory of spare parts.

623. He further explained that the stores pertained to the pre-partition period. Their book value was Rs. 26 lakh. About 50% of the items had since been consumed and the book value now stood at Rs. 16.87 lakh. There was thus, actually, no loss. It only involved writing down the value.

624. After discussion, the Committee observed that comparatively a small amount was involved in this case and that the Railways would be having a lot of such materials in their stores.

625. *Loss on account of risk and cost purchases. (Para 3, page 13, Audit Report—Pakistan Railways)*.—The Auditor-General pointed out that in cases where the contractors failed to supply the material contracted for, the Railways were entitled to make purchases at their risk and cost, in accordance with the executed Agreements, the amount recoverable from the defaulting contractors had accumulated to more than Rs. 33 lac since 1956. The Railway Administration had replied that recoveries cannot be effected now in all the cases due to legal or other limitations.

626. The Committee decided that, if a contractor is to be retained as an approved contractor, he must unquestioningly abide by the terms of the Agreement entered into with him. If he does not do so, the department should either

proceed against him or at least black-list him. It was also suggested that the Finance Division should in consultation with Law Division etc., consider laying down a clear-cut policy about risk and cost purchase, because this provision in the Agreements was more or less always a dead letter and it was the concerned Government agency which had generally to bear the financial liability of any risk purchase.

627. *Loss in purchase of defective clocks Rs. 19,000—(Para 4, page 13, Audit Report—Pakistan Railways).*—An agreement for the purchase of 200 office clocks, costing Rs. 19,000, was executed in November, 1963. The supplier guaranteed that, if the clocks did not work properly, the defective parts would be replaced free of cost. The clocks were supplied by the firm in March, 1964. In October of the same year, the unsatisfactory performance of clocks was reported to the firm and 73 defective clocks were returned to it. The clocks had not, so far, been received back.

628. The departmental representative admitted that it was a bad case and stated that it was being pursued vigorously.

629. The Committee did not make any observation on the para.

630. *Irregular payment to a contractor Rs. 2,55,889—(Para 5, page 14, Audit Report—Pakistan Railways).*—The Committee observed that the payment made to the contractor was not correct. However, the result of the report received from FIA may be awaited.

631. *Wasteful expenditure of more than Rs. 40,000 on lead of water—(Para 6—Page 15, Audit Report—Pakistan Railways).*—The departmental representative stated that, at the time when the contract was awarded, transportation of water from some distance had been duly provided. A certificate was given and a note was made that the water, locally available, was not suitable as it was too saline for construction. It was, however, later found that hand pumps were working normally in the area and good water could have been pumped out. Accordingly, efforts were being made to pin-point responsibility.

632. The Committee decided that appropriate action should be taken against the person who is found responsible for this wasteful expenditure.

633. *Irregular payment of consolidated travelling allowance amounting to approximately Rs. 65,000 (Para 7, Page 15, Audit Report—Pakistan Railways).*—Certain staff was engaged at the Sher Shah Bridge Project. They were allowed consolidated travelling allowance even though they were not required to travel extensively. The overpayment was objected to by Audit in October, 1972 and it was stopped.

634. Explaining the background of the case, the departmental representative explained that projects were being taken up in hand in distant parts of the country. If a member of the staff was sent to one of them from Lahore, he was extremely reluctant to go to the project site, because people in such places have to live in tents or huts and maintain two establishments. They have, therefore, to be duly compensated for going to such places. The Finance Division have, however, been consistently refusing to sanction any project allowance to the affected personnel, despite the above problem.

635. The Auditor-General added that the problem was not confined only to the Railways, but to many other Departments as well. The Railways appeared compelled to commit such irregularities because the competent financial authorities did not seem prepared to appreciate the situation; mainly on the ground that the incumbents were transferable. The hardship involved in such posting must be appreciated and some sort of compensation sanctioned to the affected personnel.

636. The Committee observed that, although they could not make any recommendation to the Finance Division, as they are working on behalf of the Legislature, yet they would like to observe that we should be more realistic about such problems. Normally, sanction of some project allowance may be considered for those who may be required to work at a distant site without any accommodation and other amenities. Delegation of this power to the Railway Board may also be considered.

637. *Irregular payment of special pay amounting to Rs. 58,147 (Para 8, Page 15, Audit Report—Pakistan Railways).*—The Auditor-General informed the Committee that the payment had since been regularised and the amount written off.

638. The para was, therefore, dropped.

639. *Fraud in the exchange of Privilege Ticket Orders (Rs. 16,585)—(Para 9, Page 15, Audit Report—Pakistan Railways).*—An amount of Rs. 16,585 was misappropriated by fraudulent exchange of privilege ticket orders (PTO's) for printed card tickets which were subsequently sold to public. An amount of Rs. 4,437 had since been recovered, Rs. 817 written off and the balance amount was still to be recovered.

640. The Committee observed that only the recovery of amount was not enough. In such cases, removal from service appeared to be the appropriate penalty, as this was a case of fraud, which was an offence and a crime. In reply to a question, the departmental representative stated that the irregularity, which related to 1969, was detected in 1973, when the relevant record had become time-barred.

641. In reply to another question whether a similar offence was not being repeatedly committed after 1969, it was stated that such cases continued to crop up. In subsequently detected cases, the punishment awarded was dismissal. With a view to prevent the recurrence of this offence in future, Divisional Superintendents have been instructed to alert the supervisory staff to guard against fraudulent use of PTO's. The Dy. C.A.O. (TA) has also been asked to ensure a strict checking of the exchanged PTOs.

642. The Committee directed that, in future, disciplinary proceedings must be initiated in such cases and deterrent maximum punishment awarded to those found guilty.

643. *Infructuous expenditure Rs. 4,239—(Para 10, Page 16, Audit Report—Pakistan Railways).*—Notwithstanding the departmental explanation, the Committee was satisfied that a higher tender had been accepted in this case without any plausible ground. They, however, noted that the officers responsible, i.e., the Divisional Superintendent and the Vice-Chairman, had left the Railways or retired. No action was, therefore, possible against them.

644. *Expenditure on deposit works in excess of deposits received—(Para 11, Page 16, Audit Report—Pakistan Railways).*—The Committee was informed that a substantial amount of Rs. 11.37 lac had since been recovered leaving a balance of Rs. 32,857 and action for its recovery was underway.

645. *Losses due to remission and abandonment of claims to Revenue—(Para 5, page 18 Audit Report—Pakistan Railways).*—On a query by a Member the departmental representative informed the Committee that the total demurrage charges had been written off. In reply to another question, he added that the situation had considerably improved in this respect. In 1970-71 it was 48%, in 1971-72 it was 18%, in 1972-73 12%, in 1973-74 10% and in 1974-75 the position was still better.

646. *Statement showing balances outstanding under Suspense (Para 6, page 19, Audit Report—Pakistan Railways).*—The departmental representative informed the Committee that out of the debit balance of Rs. 5.38 crore an amount of Rs. 5.17 crore had been linked and cleared and strenuous efforts were in progress to clear the remaining debit balance of Rs. 21 lac.

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES (PAGES 27—46)

647. *Excessive accumulation of stores due to lack of adequate inventory control. (Para 1, pages 27—34, Interim Audit Report).*—Chairman pointed out that the first part related to stores accounts. There were many items of excessive accumulation. The departmental representative stated that these things had happened in the past, as control was a bit lax. Now, the whole system has been computerised. The result would be apparent in the future reports.

(i) *Delay in execution of capital works (Para 2, pages 35—37—Interim Audit Report).*

(ii) *Re-opening of two station. (Para 2 (ii), page 36—Interim Audit Report).*

648. The departmental representative stated that there was a proposal from M/s. Sofreraail for increasing the line capacity by complete replacement of vacuum brakes with compressor brakes. This factor would allow the discontinuance of utilization of catch and slip siding. In that case, stations would be re-opened without the provision of catch sidings and incurring more expenditure.

649. He further stated that the World Bank had carried out a study, but Railways had not yet accepted all their recommendations, because it was found that some of them were not practical under the situation obtaining here. For example, they had recommended that these composition shoe brakes should be used only on the Bolan Pass Line and they should again be changed. It was not found acceptable because it is not practically possible.

650. The departmental representative added that re-opening was planned because, at that time, there were steam engines operating on the section. Later, diesel engines were introduced and they have been fitted with a special equipment, involving a change in the operating conditions.

651. To save a recurring expenditure, it was decided in April, 1973 not to re-open these stations. However, due to industrial development and change in the traffic conditions re-opening of some of these stations seemed to be inescapable.

652. The implementation of the project was expected by 1979.

653. The Committee did not make any further observation in the matter.

654. *Construction of over-bridges (Para 2 (iii), page 36—Interim Audit Report).*—The departmental representative stated that the work was sanctioned in 1969-70 and was started on the presumption that supply of indented pipes, to be manufactured at the Sleeper Factory, Sukkur, would be arranged in time. These were not available from the stock and the Sleepers available in market were not according to specification. Therefore, work had to be stopped. Fresh tenders were called for in March, 1973. The Executive Engineer, Concrete Sleeper Factory, Sukkur, again expressed his inability to supply these pipes, because the machines which were being used in the manufacture of hume pipes were withdrawn for flood work. Consequently, work remained suspended and was ultimately completed only in 1977.

655. In the circumstances, the Department continued to incur expenditure on temporary establishment.

656. The Committee observed that there was lack of coordination in executing various parts of the project. Consequently there was avoidable expenditure in the earlier stages. The recurrence of such instances should be guarded against carefully and, in future, there should be proper and effective coordination at all stages between all those concerned with the implementation of a project.

657. *Up-gradation of a station (Para 2 (iv), page 37—Interim Audit Report).*—The Chairman remarked that there were neither an operational nor a commercial justification to change the traffic pattern.

658. *Remodelling of a station yard (Para 2 (v), page 37—Interim Audit Report).*—The Committee did not consider the explanation furnished by the department, to be correct and termed it as misleading. They cautioned the Department against misleading the Committee in future.

659. *Loss of Railway material worth about Rs. 3 lac (Para 3, page 38—Interim Audit Report).*—After discussion, the Committee decided to drop the objection. They, however, directed that all the departmental rules, orders, etc. must be reviewed and modifications made wherever these appeared to be necessary.

660. *Mis-appropriation of stores worth Rs. 20,000 by a Railway Official. (Para 4, page 39—Interim Audit Report).*—This case was referred to the Special Police Establishment. They recommended departmental action against the persons responsible. A departmental enquiry was subsequently held by the Divisional Superintendent, Rawalpindi. In the meantime the accused was transferred to Quetta Division. The case was, therefore, referred to the Quetta Division for necessary action. After seeing his explanation, he was awarded the punishment of with-holding of increment for three years. The departmental representative stated that, although the Police had investigated this case, they could not pin-point the person who could be criminally prosecuted. So only departmental action was taken.

661. *Suspected misappropriation of stores worth more than Rs. 24,000 in an Engineering Sub-Division. (Para 5, page 40—Interim Audit Report).*—After hearing the departmental representative, the Chairman remarked that the viewpoint of the Railway Board may be accepted and they held that there was no mis-appropriation.

662. *Mis-appropriation of material worth over Rs. 14,000 by an Engineering Subordinate. (Para 6, page 41—Interim Audit Report).*—The departmental representative informed the Committee that the inquiry had been completed and they had decided to recover the material from the person who was held responsible. The Committee decided that disciplinary action should also be taken against the official found guilty.

663. *Avoidable expenditure on storage and cartage of imported stores. (Para 7, page 42—Interim Audit Report).*—The Committee was informed that an Inquiry Committee had already been constituted to fix responsibility. Their report was awaited.

664. The Committee directed that remedial measures must be devised to prevent the recurrence of such instances in the future.

665. *Expenditure of Rs. 7,13,982 on the import of Plants. (Para 8, page 43—Interim Audit Report).*—The departmental representative stated that these plants had been obtained for stations where they were not able to get drinking water from the municipalities. At Sukkur the building will be completed that month and the plant installed next month. Certain items were missing when the plants were received. He informed the Committee that these plants remained at Lahore under custody.

666. The Committee directed the Department to submit a detailed report about the delay of 10 years that had occurred in the installation and also about the missing items etc. of the plants.

667. *Loss due to excess payment of duty to Custom Department on imported goods. (Para 9, page 44—Interim Audit Report).*—After discussion the Committee decided that the objection may be settled between the Auditor-General and the Railways and the result reported back to the Committee.

668. *Infructuous expenditure on defective manufacture of steel racks. (Para 10, page 45—Interim Audit Report).*—The Committee was informed that an inquiry was held and it had been finalised on 4th October, 1978. Necessary disciplinary action has been taken against the official responsible for the expenditure. The Committee did not make any further observation on the para.

669. *Shortage of material in the accounts of a Permanent Way Inspector. (Para 11, page 46—Interim Audit Report).*—The departmental representative informed the Committee that the Divisional Superintendent, Rawalpindi, had constituted an Officers Inquiry Committee, whose report was awaited.

670. The Committee directed that the result of enquiry and the action taken against the persons responsible should be intimated to them. The Committee further observed that belated action in such cases rendered the entire exercise futile. The Department should be vigilant and be prompt in taking action in the future.

671. The Committee then adjourned to meet again on the 18th November, 1978.

M. A. HAO,
Secretary.

ISLAMABAD :
The 15th January, 1979.

18th November, 1978

8th Meeting

672. The *Ad-hoc* Public Accounts Committee resumed its adjourned sitting in the State Bank Building, Islamabad, at 9.30 A.M. The following were present :—

Ad-Hoc P.A.C.

1. Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Chairman.*
2. Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. *Member.*
3. Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*
4. Mr. Yusuf Bhai Mian, Chartered Accountant *Member.*

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. I. H. Siddiqi, Deputy Secretary.
3. Mr. Abdul Halim, Assistant Secretary.

Audit

1. Mr. Abdul Hamid, Auditor-General of Pakistan.
2. Mr. Khalid Rafique, Deputy Auditor-General (A & R).
3. Syed Shaukat Hussain, Accountant General, Pakistan Revenues.
4. Mr. S. A. K. Rehmani, Director, Audit and Accounts, Works.

Ministry of Finance

1. Mr. Asad Ahmad, Additional Secretary.
2. Mr. Qazi M. Alimullah, Joint Secretary.

MINISTRY OF HOUSING AND WORKS

673. The first item on the Agenda was examination of Grants controlled by the Works Division.

(a) WORKS DIVISION

674. The following accounts etc. in respect of grants controlled by the Works Division were considered by the Committee :—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Interim Report on serious irregularities (Pages 16—19).

(iii) Enquiries ordered by the PAC regarding—

(a) Loss of material (Page 174, PAC's Report for 1968-69 & 1969-70.

(b) Shortage of stores (Page 174, PAC's Report for 1968-69 & 1969-70).

(iv) Report about compliance on *specific* as well as *general* recommendations/directives etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

675. The following departmental representatives were present :—

1. Maj. Gen. Shafiq Ahmed, Secretary.
2. Mr. Rehamatullah Khan, Deputy Secretary.

676. This Division controlled the following grants :—

| Sl. No. | Name of Grant. | Grant No. |
|---------|---|-----------|
| 1. | Rehabilitation and Works Division | 6 |
| 2. | Civil Works | 7 |
| 3. | Other expenditure of Rehabilitation and Works Division .. | 9 |
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APPROPRIATION ACCOUNTS (1970-71)

677. The Auditor-General pointed out that, as usual, there were differences between the departmental and Audit figures. The Ministry had conceded in several cases that there were excesses. The reasons were more or less the same and had got repeated, year after year *e.g.*, sudden orders to start a certain work for which no budgetary provision existed, etc.

678. During the course of discussion, it was explained to the Committee that, since 1976, the accounts of the Division had been departmentalised and a Personal Ledger Account has been opened in the Treasury. Under the new system, the total budget allocation under various heads, as approved by the Legislature, is credited to the P.L. account and the Division cannot now spend a penny over and above the sanctioned grant. The Committee, however, noted that under the new system, the P.L.A/c ensures guards against excess *vis-a-vis* the totality of all grants taken together. It, however, did not restrict excesses being committed against various individual grants, taken separately. Though this was an improvement on the past system, yet it seemed desirable that, for a proper effective control of expenditure on independent grants, there should be a P.L.A/c in respect of each individual grant.

679. The Committee, accordingly, decided that the Ministry of Finance may have this matter further examined in the light of the Committee's above observation and take necessary action in the matter.

680. *Grant No. 6.*—While discussing excess under this grant, which was attributed to belated adjustment of telephone bills, a member desired to know the upto-date position of suspense account under the Works Division. The departmental representative stated that, with the departmentalisation of accounts and introduction of cash payment system, the suspense account, to a great extent, has been eliminated. The PPWD have been authorised now to make direct purchases from the Cement Corporation of Pakistan. What they are doing at present is to assess their annual total requirement of cement on the basis of specific works/schemes, then place their demand on the Cement Corporation of Pakistan and make advances in cash for the procurement of supplies ordered. The cost of the material is thus directly charged to specific works and not to stores, as in the past. Therefore, the question of any suspense account hardly arose under the existing dispensation.

681. The Auditor-General stated that these orders had been designed, firstly to prevent any expenditure in excess of the authorised amount and secondly that all the transactions should be on cash basis.

682. The Chairman directed the departmental representative to supply copies of the orders regarding the new accounting procedure, to enable the members of the Committee to see whether they would suggest any improvement in them.

683. The Chairman further observed that the Committee would like to know as to why there was, such a large amount in the suspense account. The information should, *inter alia*, indicate as how much amount existed in the 'suspense' account on the date of introduction of the new accounting procedure 1st January, 1976 and the efforts made by the Division to clear the same. The departmental representative stated that they have appointed a Special Officer to dig out the record of such cases. He promised to furnish this information i.e., amount in the 'suspense' account by January, 1976 and about the clearance of the 'Suspense' amount, by the end of March, 1979.

684. The departmental representative further stated that with the opening of P.L.A/c and introduction of a new system of cash transaction, chances of excess expenditure over the sanctioned grant and misappropriation have been minimised for the future. Certain departmental procedures, which enabled the matters to linger on, were also being streamlined. The new system is in an experimental stage at the present.

685. The Chairman observed that the Committee would be glad to know from the Division whether the new system is a better arrangement over the past one and whether any lacuna was still left in it.

686. *Grant No. 7.*—The Auditor-General pointed out that there were excesses in this grant under various sub-heads. The Committee noted that the Ministry had incurred an expenditure of Rs. 4.46 crore roundly against the sanctioned grant of Rs. 33 lakh under sub-head "G-2 other suspense A/c's". The Chairman desired to know, in the first instance, whether this excess expenditure could not have been avoided or postponed and, if not, why was a supplementary grant not obtained in time. What was the urgency to incur such a huge expenditure? In fact, there were

two things, firstly, the excess over the actual expenditure and secondly, adjustment of the suspense head. Only if the excess could not be known before-hand or debits were received after the close of the financial year or adjustments were carried out retrospectively could there be some justification for not having asked for a supplementary grant?

687. So far as the reasons for excess expenditure are concerned, the departmental representative claimed the excess due to adjustments. The Committee did not find this to be a satisfactory answer. As for not obtaining a supplementary grant, the departmental representative stated that this was an abnormal year and an economy drive had been launched. The Finance Ministry was not prepared to agree to any supplementary grant.

688. The Committee directed the departmental representative to look again thoroughly into this case of excess expenditure and send a considered reply to the Committee, as the excess was more than Rs. 4 crore and could not be ignored.

689. *Grant No. 99.*—The Committee desired Audit to look into the non-adjustment of debit of Rs. 2 lac relating to grant-in-aid to Building Research Station, Karachi in the light of departmental reply.

690. *Grants No. 9, 102 and 103.*—There was nothing for discussion under these grants.

AUDIT REPORT (1970-71)

691. *Avoidable expenditure due to non-inviting open tenders. (Rs. 28,62,911). (Page 38, para 49—Audit Report).*—Audit pointed out that the work of constructing 111 grain godowns at Pipri was allotted by a Division of Pak PWD to the selected contractors at 31.24% above the scheduled rate without inviting open competitive tenders, as required under the rules. In another Division in the same city, competitive tenders were invited for the construction of the remaining nine grain godowns in May, 1970 and the lowest rate of 17.75% above the scheduled rates from a contractor who was not a pre-qualified one (in the former Division) was accepted. The execution of work at 31.24% above the scheduled rates in the former Division resulted in an avoidable expenditure of Rs. 28,62,911. Explaining the details of the case, Audit observed some of the salient points as under :—

- (i) prequalification should be more thorough.
- (ii) the time allotted for work should be realistic.
- (iii) work should not be given to anyone, other than the contractor who has quoted the lowest (acceptable) rate; this alone will keep up a spirit of competition,
- (iv) if none of the prequalified contractors is capable of doing the work singly, tendering of quotations should be open to all, and
- (v) where time is of the essence, there should be a penalty clause for delay and no extension should be permissible except under certain specified conditions, e.g., work is halted at the instance of the Department, supply of material (to be supplied by the Department, if any) is delayed, etc.

692. The Chairman observed that the main point here, as brought out by the Auditor-General was the method that was adopted and the un-called for sub-division of the work by the department in violation of the sanctity of the tender.

693. The departmental representative stated that they had received an order from the then Minister for Food to construct 111 godowns within 6 months. A pre-qualification for the whole work was, therefore, resorted to. However, to ensure that the entire work was finished within the dead line, work was distributed among several contractors, though at the lowest bid received.

694. The Chairman remarked that the department should have initially split the work and invited tenders on that basis.

695. The departmental representative said that there might have been some administrative pressure at that time. On a point of information, he informed the Committee that it took 6-9 months longer to complete the work than originally contracted for.

696. The Committee noted that the time-limit of six months was fixed in August, 1968. Tender were re-invited in December, 1968. The contractors were allowed 4½ to 7½ months over and above the specified period. This did not establish much urgency for the work. The views of Audit were endorsed by the Committee.

697. *Non-recovery of expenditure of Rs. 10,05,674 from the owners of requisitioned houses. Page 38, para 50—Audit Report*.—The Auditor-General pointed out that an expenditure of Rs. 10 lac was incurred by PWD on the repairs and maintenance of requisitioned houses since 1965. The expenditure could not be recovered from the owners.

698. The departmental representative informed the Committee that the latest position was that Rs. 8 lac had been recovered and this process was continuing.

699. The Committees' observations may be seen in the following case.

700. *Non-recovery of rent of Government residential buildings amounting to Rs. 6,53,191. (Page 38, para 51—Audit Report)*.—An amount of Rs. 10,80,034 was outstanding as arrear of rent, recoverable from Government officials up to August, 1970, out of which only Rs. 4,26,843 could be recovered, leaving an unrecovered balance of Rs. 6,53,191.

701. The departmental representative stated that, against the outstanding balance mentioned above, only an amount of Rs. 1.57 lac was outstanding now. As to the position from 1971 onwards, this grant had since been transferred from the Pak. P.W.D. to the Estate Office. However, the process of recovery is a continuous one.

702. The Chairman observed that the task of the Committee is to scrutinise whether an irregularity pointed out earlier had been continuing or effectively checked from recurrence. The Committee would like to draw the attention of all concerned to the point that irregularities pointed out to them are promptly attended to and the machinery is so geared up that similar irregularities are not repeated in the future.

703. In the present and the preceding case, the Ministry should get the recovered amount verified by Audit and obtain a report from the Estate Office, stating the up-to-date position about 'dues' and recoveries. They should see whether the situation had improved in this respect or not and report back to the Committee.

704. *Excess payment of Rs. 2,99,421 (Page 39, para 53—Audit Report).*—A contractor left the work of construction of 1,275 quarters incomplete. The extra expenditure of Rs. 2,99,421, incurred on the execution of work through other agencies at his risk and cost under the terms of the agreement, remained unrecovered resulting in a loss to Government.

705. The loss of Rs. 2,99,421 was pointed out during local audit in July, 1964. The Department stated in their reply in January, 1972 that the contractor had gone to the court against the recoveries by the Department and the court had returned the case for arbitration.

706. The departmental representative informed the Committee that disciplinary action against the officials responsible had since been completed in this case. Some of them had been compulsorily retired and others had left for Bangladesh. So far as delay in the appointment of an arbitrator is concerned, about 8 arbitrators were appointed since 1966, but they could not initiate the arbitration proceedings, as the contractor took the plea each time that the arbitrators were prejudiced. Lastly, Mr. Zahid Hussain has been appointed as an arbitrator and he is conducting the proceedings.

707. The Committee decided to await the result of the award.

708. *Overpayment to contractor (Rs. 1,14,031) and (ii) Non-recovery of material (Rs. 91,208) (Page 39, para 55 and page 40, para 57, respectively of Audit Report).*—The departmental representative stated that inquiries in these cases had been made and action for the recovery from the contractors and also disciplinary action against the officials responsible was being taken.

709. The Committee made no observation.

710. *Non-recovery of Rs. 83,705 (Page 40, para 58—Audit Report).*—An expenditure of Rs. 74,405 was incurred on a work from 1st January, 1969 to 31st July, 1969. This expenditure was the liability of the Text Book Board and the Printing Corporation set up by the Central Government in January, 1969 to run on commercial lines. As the work of the Board was a deposit work, the Board should have advanced the cost of work to the Divisional Officer. The departmental charges, amounting to Rs. 9,300 at the rate of 12½% on the above expenditure, were also required to be recovered from the Board.

711. The departmental representative stated that they did some work on behalf of the Text Book Board and the Printing Corporation. They did not incur any financial loss, the dues were being adjusted against those of the Board which are higher than their liability in this case.

712. The Committee made no further observation in the matter.

713. *Overpayment of Rs. 81,913. (Page 40, para 59—Audit Report).*—A work was completed on the 28th February, 1958 and the final measurement recovered in April, 1970. In the 7th running bill paid on the 21st March, 1958, no recoveries for the cost of material issued to the contractor were made and the final bill worked out in a minus figure of Rs. 81,913.

714. The departmental representative stated that a suit had since been filed in the proper court at Rawalpindi and they are pursuing the case. The result was to be reported back to the Committee.

715. *Loss due to defective works Rs. 75,508. (Page 40, para 60—Audit Report).*—Certain works were executed in 1955 and recoveries due to defective work, amounting to Rs. 75,508, were pointed out against the contractors in 1960. These recoveries could not be effected, as the final bills turned into minus figures, resulting in a loss to the Government.

716. The departmental representative stated that their reply in this case was the same as in respect of para 59 above. The Committee observed that the result in the case be reported to them.

717. *Outstanding rent amounting to Rs. 75,265. (Page 41, para 61—Audit Report).*—The Auditor-General pointed out that arrears of rent of buildings occupied by many officials, amounting to Rs. 75,265, were outstanding up to June, 1970. Some of these were outstanding since 1947. The matter had been brought to the notice of the Department during local audit in August, 1970 and the Administrative Secretary in June, 1971. It was stated, in reply, that the matter was under correspondence with all concerned and efforts were being made to reduce the balance.

718. The departmental representative further stated that un-authorised occupants in the Chamba House, who claimed to be evacuees, had gone to the Court and obtained stay orders. The department has now got a wall constructed, to separate this place from the main Chamba House.

719. The Committee decided that the result of the Court's decision should be reported to the Audit, who shall report back the final outcome of the case to the Committee, if necessary.

720. *Overpayment of Rs. 35,039. (Page 42, para 64—Audit Report).*—An overpayment of Rs. 35,039 was made to a private party on account of rent of a requisitioned bungalow at enhanced rates on different occasions, setting aside the rent of Rs. 10,500 per annum assessed by the court for the said bungalow.

721. The departmental representative stated that, the rent which they paid to the owner was on the basis of rent assessed by the M.E.O. who, by law, is the assessing authority.

722. After hearing the departmental representative, the Committee made no observation.

723. *Loss of Rs. 21,225 due to undue financial aid. (Page 42, para 66—Audit Report).*—This objection was dropped subject to verification by the Audit that the concession of higher percentage of wastage (12.9% as stated by the departmental report) given to the contractor was not an exceptional one.

724. *Non-recovery of Rs. 19,790. (Page 43, para 67—Audit Report).*—A building site was allotted to the National Press Trust at a rent of Rs. 526 per month. It was found that rent, amounting to Rs. 16,306 for the period from 1967-68 to 1969-70, was not paid by them. Similarly, rent amounting to Rs. 3,484 of a quarter occupied by the Resident Editor of the Press was also not paid from July, 1968 to August, 1970.

725. The departmental representative informed the Committee that the recoverable amounts had since been adjusted. The Committee accepted the departmental explanation subject to verification by Audit.

726. *Non-recovery secure advance of Rs. 15,400. (Page 43, para 69—Audit Report).*—The departmental representative informed the Committee that the contractor concerned had gone into arbitration and an award was awaited.

727. The Committee desired that the result be communicated to Audit who may refer back the case to the Committee, if necessary.

728. *Loss of Rs. 12,759. (Page 44, para 70—Audit Report).*—A requisitioned house remained vacant during 21st October, 1968 to 11th June, 1969, resulting in loss of rent amounting to Rs. 12,759.

729. The departmental representative stated that after inquiry, the responsibility for the loss would be fixed and suitable disciplinary action taken against those concerned in the matter.

730. The Committee made no further observation.

731. *Loss of Rs. 10,388. (Page 44, para 71—Audit Report).*—A requisitioned house remained vacant for a pretty long time, resulting in a loss of rent amounting to Rs. 10,388.

732. After hearing the departmental representative, the Committee made no observation.

733. *Excess payment of Rs. 9,600. (Page 44, para 72—Audit Report).*—The Committee agreed to drop the para subject to the verification by Audit of the position stated in written reply.

734. *Loss of Rs. 9,101 due to purchase of material in excess of requirement. (Page 45, para 73—Audit Report).*—The Committee agreed to treat the para as settled, subject to verification by Audit.

735. *Infructuous expenditure of Rs. 7,534. (Page 45, para 74—Audit Report).*—In May, 1969, a house which was classified as F type at a monthly rent of Rs. 750 was taken on hire. It was subsequently re-classified as 'G' type at a monthly rent of Rs. 900. It was allotted to a number of officers entitled to 'G' type accommodation but none accepted it. The house thus remained vacant and government suffered a loss of Rs. 7,534.

736. The departmental representative stated that the house in question had certain shortfalls that is why it was rejected by about 30 officers.

737. The Committee made no observation on this explanation.

738. *Non-preparation of Capital and Revenue Accounts of Government Residential Buildings. (Page 45, para 75—Audit Report).*—On enquiry by the Committee, the departmental representative admitted that, although the preparation of Capital and Revenue Accounts by the Department was enjoined by the rules, they had, in fact, not been preparing the same, so far.

739. The Committee observed that the reply was not well considered and directed that disciplinary action may be taken against those responsible for the disregard of rules and non-preparation of the above-mentioned Accounts so far.

740. As regards dispensation from the preparation of Capital and Revenue Accounts for future, the Committee held that they were not concerned. The Ministry should take up the matter with the Ministry of Finance.

741. *Non-verification of furniture. (Page 46, para 76—Audit Report).—* Settled.

742. *Expenditure incurred on deposit works in excess of deposit receipts. (Page 46, para 77—Audit Report).—*Audit was requested to report back the position as on 30th June, 1978 to the Committee in their January, 1979-session.

743. *Outstanding Inspection Reports etc. (Pages 47-48, paras 78—82—Audit Report).—*The Committee decided that Audit should submit a revised report to them in its January, 1979-session, showing the current position of outstanding Inspection reports and other similar documents etc. as on 30th June, 1978.

744. During the discussion, it was pointed out that, under the existing arrangements, even if one item in a report remained unsettled or outstanding for reply, the entire report was treated to be in arrears. For an expeditious disposal, only the outstanding item may be deemed as in arrear but the rest of the report should be processed further. The Auditor-General was requested to look into this point, which merited consideration.

745. *Expenditure incurred on works in anticipation of technical sanction to estimates (Page 49, para 83—Audit Report).—*The Auditor-General pointed out that, in disregard of the rules, 632 works, involving an expenditure of Rs. 2.53 crore, were started in 1970-71 without their estimates having been technically sanctioned.

746. The departmental representative informed the Committee that only 4 cases were now left, for which sanctions remain to be issued.

747. The Committee directed that the up-to-date position, as on 30-6-1978, in regard to all such works may be put up to the Committee when the Ministry's accounts for 1971-72 are taken up by them.

748. On a point of information, the departmental representative stated that, about three years back, the Ministry of Finance had issued a directive not to start any work without an advance preparation of its detailed estimate and accord of technical and administrative sanctions. A member pointed out that, in such a case, it was all the more necessary that all those responsible for this disregard of the direction, after the date of its issue, are dealt with severely.

INTERIM AUDIT REPORT

749. *Embezzlement of cash amounting to Rs. 52,362—(Page 15, para 1—Interim Audit Report).—*The Auditor-General pointed out that, in a Division of the Pak. P.W.D., the cashier embezzled Rs. 52,362 during September, 1971 to June, 1973 by adopting various devices. The Executive Engineer was also responsible, as he certified the incorrect balances.

750. The Committee was informed that the cashier responsible for the embezzlement had died soon after its detection. Disciplinary action had, however, already been completed against two Divisional Accountants.

751. An inquiry is also in progress against the officers found responsible for the embezzlement.

752. The Committee decided to wait for the result of the inquiry.

753. *Avoidable expenditure on work charged establishment maintained for watch and ward of surplus stores (Page 17, para 2—Interim Audit Report).*—The Auditor-General pointed out that, in a Division of the Pak. P.W.D., a sum of Rs. 4,59,982 was spent during 1973-74 and 1974-75 on work charged establishment employed on watch and ward duties for surplus stores comprising sanitary fittings, building material, angle iron and sundry material, worth Rs. 33.56 lac.

754. The Auditor-General stated that actually, the material in question had been bought for the A.D.A. and K.D.A. works, which had been transferred to them long ago.

755. The Committee were surprised to note the delay in disposing of the material for such a long time. They directed the departmental representative to furnish location-wise lists of materials to the Director-General, Investment, Promotion and Supplies, who may be urged with reference to these discussions, to dispose of the surplus material immediately. The department should also explain the reasons for such an inordinate delay in the disposal of the material so far.

756. *Non-recovery of secured advance of Rs. 23,894 due to shortage of material (Page 18, para 4—Interim Audit Report).*—The Auditor-General pointed out that a P.W.D. contractor, who had obtained a secured advance of Rs. 1,08,000 in May, 1973, absconded in September, 1973 without completing the work. After adjusting his outstanding bills and material available at site, a shortage of Rs. 23,894 was found in the material on the basis of which the advance was granted to him. The advance was sanctioned before even the approval of a formal agreement, which could secure a lien on the material and safeguard Government against losses due to shortage therein. The payment of the advance was also made without obtaining a certificate from the Sub-Divisional Officer regarding the quantity of material actually brought to site, as required under the rules.

757. The overpayment of Rs. 23,894 was due to shortage of material brought to site plus interest thereon, as provided in the agreement @ 12% amounting to Rs. 16,325 calculated up to 31-12-1977.

758. The departmental representative contended the above statement and stated that it was not correct that the Secured Advance was sanctioned before the approval of a formal agreement for securing a lien on the material and that payment of advance was made without obtaining a certificate from the S.D.O. regarding the quantity of material brought at site. The factual position is that the indenture of Form CPWA-31 was duly executed with the contractor, before making payment of the Secured Advance to him. The Secured Advance was sanctioned by the Executive Engineer on the receipt of bills from the S.D.O.

759. He informed the Committee that, in this case, one of the officials concerned, namely, Mr. Qaiser Abbas, X.E.N., had been dismissed from Government service. The department had already filed a civil suit against the contractor for the recovery of the balance amount, including interest.

760. As the case was *sub judice*, the Committee did not make any further observation.

761. *Loss due to irregular purchase of fans, etc. (Page 19, para 5--Interim Audit Report).*—The Auditor-General pointed out that, in a Division of Pak. P.W.D., 58 ceiling fans, 66 fluorescent tube-lights and 3 exhaust fans were purchased locally in March, 1975 at Rs. 400, Rs. 465 and Rs. 695 each respectively, plus 146% premium thereon. There were two irregularities involved in the transaction. Firstly, the purchases were made directly by the Pak. P.W.D. Division in contravention of the Stores Purchase Rules; and secondly, a premium was allowed on the schedule rates, perhaps to bring them at par with the market rates.

762. The departmental representative stated that the work was got done by inviting tenders. This course was adopted as the nature of work was urgent. Had this work been got done through the Director-General, Investment, Promotion and Supplies, it would have taken atleast 6 to 8 months to get it done.

763. The Committee expressed their disapproval of the course of action followed in this purchase without a sufficient justification and hoped that it would not be repeated in the future.

ENQUIRIES ORDERED BY PAC

764. (a) *Loss of material (Para 35, page 174 of PAC's Report for 1968-69 and 1969-70).*—The Committee discussed the Inquiry Report forwarded by the Works Division in pursuance of the directive contained in para 37 at page 174 of the PAC's printed report for 1968-69 and 1969-70. The Inquiry Officer had recorded the following finding:—

'The Departmental Representative has been unable to produce any records or information to substantiate that Mr. Muhammad Nazir, Overseer, was directly responsible for preparation of Form-8. Nor has any information or records supplied by the Department to indicate that Mr. Muhammad Nazir was responsible for mis-appropriation, if any. I, therefore, record that charges framed are unsubstantiated'.

765. After discussion, the Committee gave no further direction in this case.

766. (b) *Shortage of stores—(Paras 38—41 page 174 of PAC's Report for 1968-69 and 1969-70).*—The Committee discussed the Inquiry Report forwarded by the Works Division, in pursuance of the directive of the PAC at para 40 of the Report.

767. After discussion, the Committee decided that, as the amount involved in this case was only Rs. 3,765 and it was an old case, it was no use wasting more time on it.

COMPLIANCE REPORT ON PAC'S REPORT FOR 1968-69 AND 1969-70

768. (Para 30, Page 57 read with Paras 38—41, page 174).—The Committee was informed that the office was bombed at Peshawar in the 1965 War when the records were destroyed. The Executive Engineer was also killed.

769. The Committee expressed their dissatisfaction over the dilatory manner in which this case was handled and the records finally perished in the above circumstances.

770. As no useful purpose was likely to be served by pursuing the matter further, Committee decided that the paras may be dropped.

771. Para 25, Page 56 of PAC's Report for 1968-69 and 1969-70.—The departmental representative informed the Committee that the case for recovery from the contractor concerned was referred to the Interior Division. The Committee observed that the outcome of the reference would be awaited.

774. Para 35, page 59 of PAC's Report for 1968-69 and 1969-70.—The departmental representative informed the Committee that full amount had been recovered from the pension of the officer concerned. The Committee dropped the case subject to verification of recovery by Audit.

773. Para 32, page 58 of PAC's Report for 1968-69 and 1969-70.—The departmental representative informed the Committee that the case for recovery of unauthorised free use of Government vehicle by the Administrative Officer, registered by the Special Police (FIA), was withdrawn by them on their own after investigation. On a query by a Member, the departmental representative informed that although no substantial amounts were recoverable from various other officers, yet notices had been served to them to deposit the amount. The Committee directed that a detailed report of the case may be submitted to the Committee by the Ministry.

774. Para 35, page 59 of PAC's Report for 1968-69 and 1969-70.—The departmental representative informed the Committee that action on the basis of their earlier statement before the PAC was being processed. The Committee desired Audit to verify the position and report back, if necessary.

775. Para 37, pages 59-60 of PAC's report for 1968-69 and 1969-70).—The Committee was surprised at the waiver of the recoverable amount from Brig. (Retd) F. R. Khan on the ground that his whereabouts were not known, while there should have been no difficulty in finding out his whereabouts. However, since the waiver had been decided upon by the competent authority, the Committee did not ask for any further action in the matter.

776. Para 39, page 60 of PAC's Report for 1968-69 and 1969-70.—The Auditor-General stated that, although the amount had been written off, Audit had not accepted it, as the sanction had not been issued by the competent authority. Therefore, Audit had asked the Ministry to get the sanction issued by competent authority. The departmental representative promised to do the needful. Audit was requested to follow up this case and report to the Committee, if necessary.

777. Para 40, page 60 of the PAC's Report for 1968-69 and 1969-70.—The Committee was informed that, as directed earlier by the P.A.C., the limit for the purchase of steam coal had been enhanced from Rs. 5,000 to Rs. 10,000.

778. *Para 41, pages 60-61 of PAC's Report for 1968-69 and 1969-70.*—The previous P.A.C. had observed that there should be some realistic proportion between the period extended and the period originally fixed for the execution of work. The Committee had, therefore, directed the whole system, being defective, should be rationalized.

779. The departmental representative stated that instructions, had since been issued to all the Divisional Officers that, while extending time-limits, they should strictly see that there was realistic proportion between the period of extension and the period originally contracted for.

780. The Committee observed that a realistic estimation of the time required for the execution of a work at the initial stage before the award of a contract, was absolutely essential in each case. Any undue curtailment of the time element could push up the price. If on the other hand, time is correctly assessed, initially, the question of granting extension should not arise.

781. The Committee directed that the above position be also brought to the notice of all the authorities responsible for awarding contracts.

782. *Para 43, page 61 of PAC's Report for 1968-69 and 1969-70.*—The Committee was not satisfied with the departmental explanation that, since the supplies were procured under Aid and compulsorily from the U.S.A., variations in sizes etc. were to be ignored. It was the usual practice of the aid-giving countries to dispose of their surplus stores, regardless of the specifications of the indenter.

783. The Committee directed that the factual position of the case may be reported to the Committee.

784. *Para 44, pages 61 and 62 of PAC's Report for 1968-69 and 1969-70.*—The Committee was informed that the Ministry of Law had since given the ruling that the conservancy charges are to be paid to the K.M.C.

785. *Unnecessary purchase of stores worth Rs. 41,29,812 (Para 45, page 62 of PAC's Report for 1968-69 and 1969-70).*—The Committee directed the departmental representative to put up a statement in the January, 1979-session indicating clearly the total quantities purchased, consumed, sold and the balance in stock, alongwith information about the expenditure being incurred on the Watch and Ward Staff and the future programme about its disposal.

786. *Para 9, Pages 99-100 of PAC's Report for 1968-69 and 1969-70.*—The Auditor-General pointed out that the sanction issued by the Works Division had not been admitted in Audit as it was accorded without the concurrence of the Finance. The Committee desired that this may be followed up by Audit.

787. *Non-recovery of Rs. 24,718 on account of storage charges—(Para 14, Page 101 of PAC's Report for 1968-69 and 1969-70).*—The Auditor-General confirmed that recovery of storage charges from the contractor had been verified.

788. *Non-recovery of cost of stores (Rs. 20,628) issued to contractors—(Para 15, pages 101-102 of PAC's Report for 1968-69 and 1969-70).*—The Auditor-General did not confirm the department's contention that Audit had verified from the Contractor's ledger that Rs. 20,628 was not recoverable from the contractor, as it was misposting. He maintained that no records, to substantiate the above statement, were ever produced before Audit.

789. The Committee directed that immediate action be taken by the Division to get it verified by Audit.

790. *Para 17, page 102 of PAC's Report for 1968-69 and 1969-70.*—The Auditor-General explained that, at the close of a financial year, stores were transferred from the suspense head "stock" to various expenditure heads. The stores were re-transferred to "stock" in the following financial year. These amounted to be "fictitious" entries, which were quite irregular and against departmental rules.

791. The explanations in regard to the first two amounts of Rs. 1,89,000 and Rs. 17,700 were not acceptable to Audit.

792. The departmental representative admitted that such a practice was being followed to avoid the lapse of sanctioned funds and the necessity for its surrender. Though procedurally incorrect and legally irregular the course of action had its root in past practice.

793. The Committee took a serious view of this irregularity and desired its being stopped forthwith. The Committee further directed that those responsible for authorising such an irregularity if in service, should be reprimanded.

794. The Committee made no observation on the remaining paras of the compliance furnished by them.

(b) ENVIRONMENT AND URBAN AFFAIRS DIVISION

795. The next item on the Agenda was examination of Grants controlled by the Environment and Urban Affairs Division.

796. The following accounts in respect of grants controlled by the Environment and Urban Affairs Division were considered by the Committee:—

- (i) Appropriation and other accounts and Report relating to 1970-71.
- (ii) Interim Report on serious irregularities (Page 17).
- (iii) Enquiry ordered by the PAC regarding extra payment of Rs. 1,23,673 to five contractors at the enhanced rate of Rs. 200 per fire place. (Page 178 PAC's Report for 1968-69 and 1969-70).
- (iv) Report about compliance on *specific* as well as *general* recommendations|directives etc., contained in the PAC's report on accounts for 1968-69 and 1969-70.

797. The following departmental representatives were present:—

1. Maj. Gen. Shafiq Ahmad, Secretary.
2. Mr. M. A. Kazmi, Chairman, CDA.
3. Mr. Shamsul Haq, Deputy Secretary.

798. This Division controlled the following grants:—

| Sl. No. | Name of Grant | Grant No. |
|---------|---|-----------|
| 1. | Other Expenditure of Cabinet Division | 14 |
| 2. | Capital outlay on New Federal Capital | 106 |
| 3. | Development Expenditure of Planning Division (Sub-head D-1(1) to D. 1 (4) only) | 138 |

APPROPRIATION ACCOUNTS (1970-71)

799. There was no material point for discussion by the Committee in these grants.

AUDIT REPORT (1970-71)

800. *Purchase of Dumper Trucks in excess of requirements of Rs. 1,07,89,230 (Para 86, page 50—Audit Report).*—26 Dumper Trucks were imported from a foreign country during 1968-69 at a cost of Rs. 1,40,00,000 for use of Simly Dam and other Projects. Only 6 dumper trucks were mobilized for operation on the project. 10 dumper trucks were converted into water tankers at a cost of Rs. 20,000 and transferred to other formations. The remaining 10 trucks were still lying idle with the Capital Development Authority.

801. On a query, the departmental representative informed the Committee that releases of funds for executing the project had been extremely inadequate. The requirement for 1978-79 was Rs. 11 crore against which only about Rs. 1 crore had been allotted. As to the apprehension of the Committee that the Dumpers may be declared unserviceable after having remained idle for such long period, it was stated that the CDA had obtained technical advice and consulted the firms who would be responsible for the execution of the project. They have advised that the dumpers could be still utilised in the project.

802. The departmental representative stated that, in the meantime, the dumpers were being used for water supply purposes in Islamabad, to meet the shortage of water during summer.

803. After discussion, the Committee observed that the department should obtain spare parts in time, so that the project does not suffer after it had been taken in hand earnestly.

804. *Infructuous expenditure on the Engineering Service for the design of a Bulk Water Supply Project. (Rs. 57,37,917)—(Para 87, page 51—Audit Report).*—The consideration of this para was deferred, as the departmental representative expressed his inability to give any reply.

805. *Recovery outstanding against contractors (Approx. Rs. 5,64,856)—(Para 88, pages 51-52—Audit Report).*—The departmental representative informed the Committee that two contractors namely, M/s Mustafa PRCC and M/s Albarqiyat, executing 3 (three) contracts, failed to complete the works and the same were withdrawn from them as per clause 3(c) of the contract. The unexecuted work in respect of the 3 cases listed in the Draft Para was put to tender and awarded to other contractors at the risk and cost of the original contractors, is given against each case i.e., (i), (ii) and (iii).

(i) As a result of finalization of accounts of the contractors, a net amount of Rs. 1,53,715 (and not Rs. 4,28,901 as alleged by Audit) was found recoverable from the first contractor, i.e. M/s Mustafa PRCC. The Collector, Rawalpindi, has been approached to effect recovery from M/s Mustafa PRCC.

(ii) The first contractor in this case was M/s Albarqiyat and the differential cost worked out to Rs. 56,163 out of which a sum of Rs. 29,460 has been recovered by adjustment. Thus a sum of Rs. 26,703 remains to be recovered for which the Collector, Rawalpindi has been approached. The contractor has, however, obtained a stay order from the court, where the case is still under adjudication.

(iii) The accounts of the original contractor (M/s Mustafa PRCC) and the second contractor were finalized and, as a result thereof, Rs. 1,94,233 were found recoverable from the original contractor. Against this, payment for certain works actually carried out by him, was due. Therefore, after the adjustment of dues, a net amount of Rs. 32,109 and not Rs. 1,09,252 as estimated by Audit, became recoverable. The Collector, Rawalpindi has been requested to effect the recovery.

806. As the case appeared to be *sub-judice*, the Committee desired that the final outcome of the case be reported back to them.

807. *Non-recovery of the cost of material from a contractor Rs. 2,99,633. (Para 89, pages 52-53—Audit Report).*—Material worth Rs. 98,751 was issued to a contractor for use on a work, but its cost was not recovered from the running account bills. As a result, the final bill was prepared for a minus amount of Rs. 78,352. After the adjustment of security deposit of the contractor, amounting to Rs. 9,307, a sum of Rs. 69,045 was still recoverable from him.

808. The departmental representative stated that efforts were being made to recover the amount of overpayment from the contractors concerned as arrears of land revenue under section 49-A of the C.D.A. Ordinance. As regards disciplinary action, it was stated that five of the functionaries were no longer in service. Action against the other officials concerned, who are still in services is being taken.

809. The Committee desired a detailed report to be submitted to them, indicating the action taken against those responsible.

810. *Un-necessary Purchase of Material Worth Rs. 2,67,771. (Para 90, page 53—Audit Report).*—In an autonomous body, 110 tyres and 78 tubes were purchased between 1963 to 1968, out of which only 26 tyres and 6 tubes could be issued and the balance tyres and tubes, worth Rs. 2,67,771, lying in stores were not brought in use up to 1971. The unnecessary purchase of this material blocked the Authority's capital to the extent of Rs. 2,67,771.

811. The departmental representative informed the Committee that he had already asked the C.D.A. to identify the persons responsible in this case. The Chairman stated that the responsibility for this default must be fixed and the position reported back to the Committee.

812. *Shortage of furniture worth Rs. 56,130. (Para 91, page 53—Audit Report).*—The CDA, an autonomous body, took over various items of furniture from Pak. P.W.D. at the time of its establishment and also subsequently purchased certain new items of furniture, for which no proper record was maintained to watch the stock. The Board of the Authority appointed a party to assess the actual position of furniture. This investigation revealed a shortage valued at Rs. 56,130.

813. The departmental representative stated that the expenditure had been written off since because the furniture was just not available. The suppliers of the furniture had gone to the court and brought forth a decree for the payment of his bills, amounting to Rs. 55,000 plus cost, against the CDA which had to be paid. The officer, who could be termed as guilty and negligent of duty, was conveyed the displeasure of the Board and, later, retired compulsorily under MLR-114. The Committee accepted the departmental explanation.

814. *Excess payment to a contractor Rs. 55,639. (Para 92, page 53—Audit Report).*—After having heard the departmental representative, the Committee came to the conclusion that the alleged overpayment was due to the Agreement not having been drafted properly.

815. *Fraudulent drawal of material worth Rs. 34,575. (Para 93, page 53—Audit Report).*—50 tons of cement and 20 tons of M.S. Bars, valued at Rs. 34,575, were fraudulently drawn from the stores against three special cheques during November, 1968, March, 1969 and July, 1969, two of which were cancelled subsequently and one was accounted for against another Division, after the material had been obtained from the Store.

816. The departmental representative stated that an Inquiry Committee had been constituted and two persons were issued charge-sheets as a result thereof. The Committee requested Audit to verify action taken by the department.

817. *Loss of Rs. 34,314. (Para 94, page 54—Audit Report).*—The departmental representative stated that offers for the supply of 399 tons of M.S. Deformed Bars were received on 23rd April, 1970. M.S. Steel Corporation of Pakistan were the lowest at Rs. 1,799 per ton, subject to the condition that the rates were based on the then prevailing rates of Excise Duty at Rs. 25 per ton and any variation therein was to be the buyer's liability. Besides octroi charges and local taxes, if levied at Islamabad, were also to go to the account of the buyer. Generally, conditional offers are not accepted, but this one was accepted because the rate of the second lowest was higher by Rs. 141 per ton.

818. The Government imposed a price equalisation surcharge *vide* SRO dated 29th May, 1970 and also enhanced the rates of Sales Tax on Billets from 10 to 15% *w.e.f.* 25th June, 1970. M.S. Steel Corporation of Pakistan, therefore, demanded increase in rates on the above basis, and produced documentary evidence therefor. Even if this were agreed to, they still remained the lowest, therefore, necessary amendment to the Contract was issued, with the prior consent of the Legal Adviser, who opined that the firm was entitled to increase in rate corresponding to increase in duty under the Sale of Goods Act. The Authority, therefore, did not sustain any loss in allowing an increase of Rs. 86 per ton.

819. The other suggestion of the Audit that tenders should have been re-invited and liquidated damages claimed was not tenable. As explained, the firm was legally entitled to increase in the rates and the re-tendering, if resorted to, would have automatically included the element of increased import duty. Besides, the bid remained much lower, even after the inclusion of the increase in duty, than the second lowest one. In the above circumstances, it was not considered advisable to reinvite tenders, which would have un-necessarily delayed the purchase and entitled extra expenditure.

820. The Committee made no observations on the explanations.

821. *Amount recoverable from contractor Rs. 32,329. (Para 95, page 54—Audit Report).*—The construction of certain types of houses was allotted to a number of contractors on a lumpsum contract basis, with a specific clause in the contracts to the effects that the contractors had to bear the entire expenditure on water lines from the mains to the sites of work. A sum of Rs. 32,329 was spent by the Authority, on behalf of the contractors, in contravention of the above clause.

822. After discussion, the Committee decided to accept the departmental explanation.

823. *Misuse of vehicles leading to a loss of Rs. 25,817. (Para 96, page 54—Audit Report).*—The objection was not pressed.

824. *Excess payment of Rs. 19,815. (Para 97, pages 54-55—Audit Report).*—After discussion the Committee decided that Audit may verify the position in the light of reply of the department and come back to the Committee, if considered necessary.

825. *Infructuous expenditure of Rs. 11,584 (Para 98, page 55—Audit Report).*—The Auditor-General stated that Audit had verified this and the para may be dropped. The Committee agreed to the suggestion.

826. *Local Audit Inspection Reports to which no reply has been furnished. (Para 99, page 55—Audit Report).*—The Committee desired Audit to re-check the position in respect of all the Inspection Reports, etc., and report back the outstanding year-wise to the Committee in January, 1979-session, with a copy to the departmental representative, who should then explain the reasons for delay in the replies.

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES

827. *Excess payment of Rs. 60,000. (Para 3, page 17—Interim Audit Report).*—This para related to the excess payment of Rs. 61,488 to a contractor on account of sub-soil water during excavation or concreting.

828. The departmental representative stated that the actual date was 31st August, 1965 and not 11th December, 1964, as mentioned in the draft para. The Auditor-General said that, as the Secretary, Works had gone into this case, the Committee may accept his version.

829. The Committee decided that the Secretary, Works might satisfy himself about this case.

INQUIRY ORDERED BY PAC

830. *Extra payment of Rs. 1,23,673 to five contractors at the enhanced rate of Rs. 200 per fire place. (Para 7, page 107 read with paras 64—66, page 178 of PAC's Report for 1968-69 and 1969-70).*—A work of construction of houses was awarded to six contractors on flat rate basis, approved by the competent authority. There was a specific provision about payment for Fire-place at four different item rates and payments to contractors were made accordingly. Subsequently, a new consolidated rate was sanctioned, which was in excess of the item rates provided in the contracts. This change in the rate resulted in an extra payment of Rs. 1,23,673.

831. The Chairmar observed that the department had already initiated recovery action and disciplinary action has also been initiated against the responsible official, namely Mr. Abdul Qayyum, who has been charge sheeted.

832. The Committee deferred consideration of the case.

COMPLIANCE REPORT FOR THE YEAR 1968-69 AND 1969-70

833. *Overpayment of Rs. 15,964 by allowing higher rates for substituted items. (Para 13, pages 110-111 of PAC's Report for 1968-69 and 1969-70).*—In pursuance of the PAC directive, the relevant records were produced by the department to Audit for examination. The Committee desired Audit to verify the position and to report back, if considered necessary.

834. *Excess payment of Rs. 14,958 by allowing higher rates for extra substituted items. (Para 14, page 111 of PAC's Report for 1968-69 and 1969-70).*—It was decided by the Committee that Audit may re-examine this case as it was not considered justified to allow 19% premium above the schedule rate for extra items.

835. *Loss of Rs. 95,278 due to injudicious negotiation. (Para 6, pages 106-107 of PAC's Report for 1968-69 and 1969-70).*—The departmental representative stated that the CDA had lost the case in the High Court, hence no recovery could be made from the contractor. The disciplinary aspect of the case was under consideration of the Board.

836. In view of the decree of the Court against the department, the Committee had no observation to make on this para.

837. *Irregular payment of Rs. 25,252. (Para 10; pages 109-110 read with paras 67-69, pages 178-179 of PAC's Report).*—Audit was requested to verify the recovery of the dues, as stated by the department.

838. *Loss of Rs. 20,000 due to the non-realization of the earnest money. (Para 19, page 112 of PAC's Report for 1968-69 and 1969-70).*—The Committee made no observation on this para.

839. *Irregular payment of Rs. 10,696 later on recovered at the instance of Audit. (Para 16, page 111 of PAC's Report for 1968-69 and 1969-70).*—The departmental representative informed the Committee that five cases were involved. In two cases, recovery had been made. In the other three cases, departmental action had been taken against the officers responsible for the overpayment. No further action was indicated by the Committee in this case.

840. *Overpayment of Rs. 99,440. (Para 17, page 111 of PAC's Report for 1968-69 and 1969-70).*—The Committee noted that the directions of the PAC had been circulated by the Department to all concerned for their future compliance.

841. **No observation** was made by the Committee on the compliance reports.

842. *Loss of Rs. 65,667 due to non-enforcement of the terms of contract. (Para 18, pages 111-112 of PAC's Report for 1968-69 and 1969-70).*—In view of the action being taken regarding the recovery of the amount from the contractor, the Committee made no observation.

843. The Committee made no observation on the rest of the compliance furnished by them.

844. The Committee then adjourned to meet on the 19th November, 1978.

M. A. HAO,
Secretary.

ISLAMABAD :
The 24th January, 1979.

The 19th November, 1978

9th Meeting

845. The *Ad-hoc* Public Accounts Committee met in the State Bank Building, Islamabad, at 9.30 A.M. The following were present :—

Ad-Hoc P.A.C.

- | | |
|---|------------------|
| 1. Mr. A.G.N. Kazi, Governor, State Bank of Pakistan, | <i>Chairman.</i> |
| 2. Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan, | <i>Member.</i> |
| 3. Mr. Abdul Qadir, former Chairman, Railway Board, | <i>Member.</i> |
| 4. Mr. Yusuf Iqbal Mian, Chartered Accountant, .. | <i>Member.</i> |

National Assembly Secretariat

1. Mr. M. A. Haq, Secretary.
2. Mr. I. H. Siddiqi, Deputy Secretary.
3. Mr. Abdul Halim, Assistant Secretary.

Audit

1. Mr. Abdul Hamid, Auditor-General of Pakistan.
2. Mr. Khalid Rafique, Deputy Auditor-General (A & R).
3. Syed Shaukat Hussain, Accountant General, Pakistan Revenues.

Ministry of Finance

1. Mr. Qamruddin Siddiqi, Additional Secretary and Financial Adviser (Defence).
2. Qazi M. Alimullah, Joint Secretary.

PETROLEUM AND NATURAL RESOURCES DIVISION

846. The first item on the Agenda was examination of the following business pertaining to the Petroleum and Natural Resources Division :—

(i) Reports on the following enquiries ordered by the PAC—

(i) Sharigh Collieries, Degari Coal Para 30/*ante*.
Mines, Quetta, Sor Range Collieries,
Quetta and Makerwal Collieries.

(ii) Salt Mines and Quarries Para 31/*ante*.

(ii) Report about compliance on *specific* as well as *general* recommendations/ directives etc., contained in PAC's report on accounts for 1968-69 and 1969-70.

847. The following departmental representatives were present :—

1. Mr. Masihuddin, Acting Secretary.
2. Mr. A. H. Tanauly, Deputy Secretary.

APPROPRIATION ACCOUNTS (1970-71)

848. The Appropriation and other accounts for the year 1970-71, pertaining to the Ministry of Petroleum and Natural Resources, were examined by the PAC at its meeting held on 17th September, 1976.

INQUIRIES ORDERED BY P.A.C.

(i) **Sharigh Collieries, Degari Coal Mines, Quetta, Sor Range Collieries, Quetta and Makarwal Collieries (Para 30^{ante})**

849. The Public Accounts Committee, at its meeting held on 17th September, 1976, had observed that the Makarwal Collieries in 1970-71 had shown better financial results as compared to the Baluchistan Collieries which had sustained heavy losses. The Committee, therefore, desired that a thorough inquiry be made to ascertain the real reasons for this disparity, after analysing all the facts. The department submitted a report in compliance with the above directive.

850. Bringing out the main features of the Report the departmental representative said that the condition for the working of coal mines varied from place to place depending on geological setting, underground mining situation, thickness and behaviour of seam, quality of coal and marketability, etc. Coal mining industry is different from a factory where production starts as soon as its installation is complete. In the case of mining industry, the development of a mine is a continuous process, and the extent of effort thereon has to be directly related to the envisaged capacity of production.

851. The PIDC assumed charge of the Sharigh and Sor Range Collieries during 1956-57 and the Degari Mines in 1960-61, when production from these Collieries was around 57,000 tons per annum. The Corporation acquired the services of foreign Advisors from West Germany and Japan to prepare feasibility reports and draw out development plans and to execute the plans for 8—10 years. The experts prepared the schemes, without paying much attention to establish mineable reserves and ascertain local working conditions. Their estimates and targets were thus unrealistic. Mining methods were frequently changed by them to suit exigencies, without due regard to long-term planning and cost of operations. These three mines were initially planned to produce 6,50,000 tons annually. Due to very adverse mining conditions, the mines never actually got to produce more than 2 lac tons per annum.

Makarwal Collieries

852. The Makarwal and Gullakhel Collieries were taken over by the PIDC from the Central Government in March 1954. At that time, the mines produced 200 tons per day, which was very inadequate to meet the projected requirements. A scheme to expand the Makarwal and Gullakhel Collieries, costing Rs. 1.67.00 lac, was launched in 1956, but was completed in 1966 at Rs. 177.00 lac. Due to improved methods of mining, the production of these mines increased from 60,000 tons per annum in 1954 to 2 lac tons per annum in 1966, but the planned

production capacity of 3 lac tons per years was never achieved. The following data in respect of these mines should be pertinent :—

(Rs. in lacs)

| | Makerwal | Sor Range | Degari | Sharigh |
|---|-----------------|-----------------|-----------------|-----------------|
| 1. Cost as per PC-I | 167.00 | 261.00 | 385.00 | 276.95 |
| 2. Completion cost | 177.00 | 254.00 | 271.45 | 181.60 |
| 3. Government funds | 150.00 | 244.54 | 177.37 | 157.32 |
| 4. Estimated proved reserves .. | 7.5 million | 7.00 million | 3.00 million | 9.00 million |
| 5. Target as per PC-II (lac tons per annum) | 3.00 | 3.00 | 3.00 | 1.35 |
| 6. Max. production (lac tons/annum) .. | 2.18 | 1.00 | 1.00 | 0.50 |
| 7. Leased area | 26.415 acres | 254 acres | 955 acres | 332.8 acres |
| 8. Thickness of seam | 6' average | 6' average | 6' average | 3' average |

853. The maximum production achieved in Makerwal was 2.18 lac tons per annum, but in the three Baluchistan Collieries put together 2.5 lac tons only, whereas investment in the Baluchistan Collieries amounted to Rs. 707.05 lac, as against Rs. 177.00 lac in the Makerwal Collieries. This clearly established the extent of over-capitalization of the Baluchistan Collieries.

II. TECHNICAL PROBLEMS

Geological & Mining Problems

854. The departmental representative added that the coal deposits of Baluchistan are classified as sub-bituminous lignite coal, which generally contains high moisture, volatile matter, sulphur and ash and is also prone to spontaneous combustion. Difficult geological environments, with unstable roof and floor and steep dip of the coal seams, have made mining there difficult and expensive. For instance, despite all-out efforts at considerable cost, for a proper strata control, it has not been possible to evolve a long-term solution in the Sor Range mines, such a problem is non-existent in the Makerwal Collieries, where the operations are easier and more economical.

Operational Problems

855. Similarly due to unhealthy and dangerous working conditions in the Baluchistan mines, local labour does not work on the coal faces and a special class of labour from Swat has to be employed. The labour situation in Makerwal Collieries do not present this problem. Besides, the mines in Baluchistan are located in unsettled and tribal areas where theft and pilferage are quite common. As against the Makerwal Collieries the Baluchistan Collieries also have an acute problem of mining timber for roof support, as no mining timber is available locally.

Marketing

856. Marketing of coal has always been a problem for the Baluchistan Collieries. Baluchistan produces 60% of the coal produced in Pakistan, though it consumes only 6% of the output. Almost the entire Baluchistan coal has, therefore, to be transported to the main consumption centres in other Provinces against a very limited number of railway wagons available at Quetta. There is hence always a huge accumulation of coal stocks which, besides causing heavy

losses on account of fire, also force the mine-owners to curtail production which, in turn increases the incidence of fixed and semi-variable expenses. The Baluchistan Collieries, especially the Sharigh mines have, consequently, sustained heavy losses as their stocks worth over Rs. 37.00 lac have already turned into ashes and insurance claims are pending with the Insurance Corporation. Production of coal in these mines has thus to be attuned to match the wagon supply. These mines are also not in a position to transport adequate coal during the peak demand period and take the advantage of rising prices. On the other hand, Makerwal Collieries situated in the consumption area, sell their coal by trucks, in case empty wagons do not become available.

Financial Problems

857. Due to over-capitalization and high production cost because of under production, and sale, the Baluchistan Collieries have been running continuously into heavy losses. The comparative figures of production and sale and the main elements of cost for 1975-76, as given below, will explain the reasons for different results in respect of each colliery:—

| | Makerwal | Sor Range | Degari | Sharigh |
|--|----------|-----------|----------|-----------|
| Production (Tons) | 1,11,000 | 50,642 | 68,409 | 26,685 |
| Sales (tons) | 1,28,905 | 44,306 | 82,526 | 27,063 |
| | Rs. | Rs. | Rs. | Rs. |
| Sale value per ton | 258.73 | 273.01 | 239.15 | 246.66 |
| Other income per ton | 13.21 | 4.74 | 2.42 | 3.15 |
| | 271.94 | 277.75 | 241.57 | 249.81 |
| Cost of sale | 223.51 | 372.02 | 251.01 | 342.67 |
| Profit/loss per ton | (+)48.43 | (-)94.27 | (-)9.44 | (-)92.86 |
| Timber | 10.15 | 64.39 | 45.65 | 31.41 |
| Direct mining salaries/wages | 82.60 | 101.23 | 77.29 | 122.27 |
| Overheads | 59.39 | 79.01 | 58.19 | 78.24 |
| Depreciation | 12.15 | 8.10 | 8.77 | 14.18 |
| Interest | — | 74.88 | 36.28 | 80.22 |
| Accumulated profit (+)/loss(—), in lacs. | (+)77.08 | (-)250.05 | (+)21.53 | (-)138.53 |

858. The cumulative losses on Baluchistan Collieries, as on 30th June, 1976, were Rs. 367.05 lac as against the cumulative profit of Rs. 77.08 lac in Makerwal Collieries. The two main elements of cost, effecting the Baluchistan Collieries, were identified by the departmental representative to be:—

- (i) Interest on capital.
- (ii) Interest on Govt. and borrowed funds.

859. The incidence of the interest in Baluchistan Collieries is ranging between Rs. 36.28 per ton to Rs. 80.22 per ton on account of interest charged by the Government on their Capital, as well as on borrowed funds from the PIDC|PMDC, Commercial Banks and foreign loans, whereas, no such incidence of interest was involved in Makerwal.

Timber

860. The timber cost in Baluchistan Collieries was ranging between Rs. 31.41 to Rs. 64.39 per ton, as on 30th June, 1976, whereas that in Makerwal Collieries was only Rs. 10.15 per ton. The per ton cost in Sharigh Collieries is Rs. 31.41, because the strata condition there is comparatively better, in the Baluchistan area.

Direct Mining Salaries & Wages

861. The per ton incidence of direct mining salaries and wages in Sharigh Collieries is Rs. 122.27 per ton and in Sor Range Rs. 101.23 per ton as compared to Rs. 82.60 per ton in the Makerwal Collieries.

Overheads

862. Because of low production and sales the incidence of overheads in the Sharigh and Sor Range Collieries is Rs. 78.24 and Rs. 78.01 per ton as against Rs. 59.39 in the Makerwal Collieries.

863. The departmental representative concluded that the Baluchistan Collieries were faced with peculiar problems as above and hence their results cannot be reasonably compared with the Makerwal Collieries. Their problem can be solved only by increased production and increased sales for which serious constraints continue to exist.

864. As for the future, the Pakistan Mineral Development Corporation was set up on 1st July, 1974 to accelerate the pace of mineral exploration and development. The PMDC has prepared schemes for the expansion of the existing mines and also initiated steps to improve their working results, as below:—

(1) Makerwal Collieries

865. A scheme for the expansion of Makerwal Collieries has already been approved by the ECNEC at an estimated expenditure of Rs. 44.642 million and will be completed by 1982-83. After its implementation, the production capacity will be increased from 1.50 lac to 3.00 lac tons per annum. This will further improve the working results of Makerwal Collieries.

(2) Sharigh Collieries

866. To meet the requirements of PASMIC for washed coal, PMDC has prepared a scheme for expanding the Sharigh Collieries and putting up a Coal Washing Plant at Sharigh. The scheme is under the consideration of ECNEC. After its implementation, production capacity will increase from 30,000 ton per annum to 1 lac tons per annum.

(3) Degari Collieries

867. Most of the mineable reserves have already been depleted. The Corporation is, therefore, concentrating on improving its working results by streamlining the marketing and reducing expenditure to the minimum. A study is also under way to make the optimum use of available manpower resources.

(4) Sor Range Collieries

868. On account of difficult strata conditions and highly gassy nature of the coal seam, it will not be advisable to launch any major expansion scheme, but efforts are under way to bring about improvements in its working. PMDC is handicapped on the marketing side, because most of the coal is presently being used in the WAPDA Thermal Power Plant, Sheikhmanda at a price fixed by the Government, which is even lower than the actual cost of production. However, after Quetta comes on the National Grid, WAPDA's coal requirements will decrease substantially and surplus coal could then be sold in the open market, making for improved working results.

869. Initiating discussion on the Report, Chairman observed that two conclusions that could be inevitably drawn from the Report, namely that the pricing of coal is uneconomic and that it was a basically uneconomic proposition to continue the operation of the Baluchistan Collieries.

870. On a query, the departmental representative informed the Committee that, whereas coal was being supplied to WAPDA during those years @ Rs. 375 per ton, its market price was Rs. 500 per ton. The mines had, therefore, to suffer a loss of about Rs. 1.02 crore from 1973-74 to 1976-77. The present difference was stated to be Rs. 100 per ton.

871. The departmental representative further informed the Committee that they had invited a team of coal experts from the U. K. to study the problems and their report is awaited.

872. After further discussion, the Committee expressed the view that there seemed to be no justification for allowing supplies of coal to WAPDA at subsidised rates at the cost of the mines. They should be charged by the mines at market rates, subject to their contractual obligations and if there may be any long-term contractual commitments, the terms may be re-negotiated. The departmental representative stated that, since they are getting Rs. 375 per ton from WAPDA this year, they may make a little profit.

873. As coal mining appeared to be extremely uneconomical in Baluchistan, a member of the Committee suggested that the mines there be closed down to obviate further loss. Mr. Massarrat Hussain Zuberi, another member, opposed the idea of closing down these mines in Baluchistan, because of its political repercussions.

874. The Chairman, thereupon, observed that, so far as coal mining in Baluchistan is concerned, there can be no question of its being closed down as a whole. It has to be increased, and there is a target in the plan therefor. The question, however, is that, where a particular mine is found to be uneconomical, the correct thing to do in the national interest may be to close it down and invest the capital on better project in Baluchistan. However, the questions as to what should be done, how should the production of coal in Baluchistan and elsewhere be increased and which are the promising avenues where investment should go are matters of policy.

875. Th Committee suggested that the Government may examine the position in the light of present earnings from these collieries and see whether even the direct operative costs are being met therefrom or not. If even such costs are not being met by the Collieries the Government should seriously consider as to how best could they get out of the situation. The alternative could be denationalization and passing on the Collieries to private enterprise.

(ii) Salt Mines and Quarries (Para 31 ante)

876. The previous PAC desired to know the reasons for losses of Rs. 95.00 lac sustained by the salt Mines up to 1973-74 whereas there was a profit in 1974-75 and 1975-76? The Committee desired that the position should be analysed and a detailed report submitted to the Committee through the Ministry of Fuel, Power and Natural Resources. Accordingly, the department submitted a detailed report on the working of PMD Salt Mines.

877. Elucidating the Report, the departmental representative informed the Committee that the Klewra, Warcha and Kalabagh and three Salt Quarries i.e. Jatta, Bahadurkhel and Karak were transferred to the PMDC, in July, 1974. These Salt Mines and Quarries had sustained heavy losses up to 1973-74 under the WPIDC management. However, in the subsequent years, the working of these Salt Mines and Quarries showed some improvement and, ultimately, in 1975-76 they earned a net profit of Rs. 52.50 lac.

878. Tracing out the history of the mines, he said that, since the British days, the Government, never agreed to increase the sale price of salt, because they wanted these mines to be run on a no-profit-no-loss basis. These salt mines and quarries were transferred to the WPIDC in July, 1962 for re-organization, mechanization and improving their profitability and productivity. Since then, the mines had been mostly running into heavy losses because, on the one hand, price of salt fixed by the Government was uneconomical and, on the other, costs were rising continuously. When transferred from the P.I.D.C., these mines had accumulated losses of Rs. 128.98 lac as on 30th June, 1974.

879. The departmental representative further said that these mines and quarries had some technical and administrative problems also. He cited the information below in respect of all the mines and quarries, to facilitate a comparison :—

SALT MINES AND QUARRIES

(In lacs of Rupees)

| | Khewra | Warcha | Kalabagh | Bahadurkhel | Jatta |
|---------------------------------|--------|--------|----------|-------------|-------|
| Investment | 60.96 | 22.63 | 20.06 | 2.77 | 7.13 |
| Govt. Funds | 19.51 | 79.97 | 0.43 | 0.01 | 0.03 |
| Production (Maunds) | 70.00 | 20.65 | 10.08 | 6.26 | 7.06 |
| Sales (Maunds) | 68.02 | 20.65 | 10.08 | 6.26 | 7.06 |
| Cost per maund | 2.80 | 2.52 | 2.91 | 0.52 | 2.21 |
| Average sale price | 3.07 | 3.20 | 3.20 | 1.68 | 3.20 |
| No. of persons employed | 2482 | 596 | 223 | 170 | 37 |

880. Analysing the above data, he said that, as compared to investment the funds provided by the Government were negligible. These mines were, in fact, developed from their own resources, mainly from stockist's advances. The various elements of cost in respect of these mines and quarries during 1975-76 were as follows :—

COST PER MAUND

| | Khewra | Warcha | Kalabagh | Bahadurkhel | Jatta |
|-------------------------------------|--------|--------------------------------|----------|-------------|-------|
| Direct material | 0.11 | 0.22 | 0.16 | — | 0.01 |
| Salary & wages | 1.28 | 1.36 | 0.74 | 0.33 | 0.41 |
| Other overheads | 1.09 | 0.62 | 1.09 | 0.33 | 0.41 |
| Depreciation | 0.05 | 0.07 | 0.28 | 0.01 | 0.04 |
| Transportation | 0.08 | 0.11 | — | — | — |
| Admn./HO Exp. | 0.15 | 0.11 | 0.20 | 0.04 | 0.10 |
| Selling & distribution exp. | 0.13 | 0.02 | 0.44 | 0.07 | 0.12 |
| | 2.89 | 2.51 | 2.91 | 0.51 | 2.20 |
| | | (excluding excavation charges) | | | |

881. The position of *net profit/loss* of these mines between 1970-71 and 1975-76 was stated to be as follows:—

| Name of Mine | (In lacs) | | | | | |
|----------------------|-----------|---------|----------|----------|----------|----------|
| | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 |
| 1. Khewra | (+)0.04 | (-)6.56 | (-)13.95 | (-)28.35 | (-)24.87 | (+)13.10 |
| 2. Warcha | (+)1.19 | (+)1.63 | (+)0.23 | (-)3.64 | (+)9.18 | (+)16.11 |
| 3. Kalabagh | (-)1.33 | (-)1.98 | (-)3.04 | (-)7.64 | (+)10.60 | (+)3.04 |
| 4. Jatta | (-)0.15 | (-)0.10 | (-)1.29 | (+)0.51 | (-)4.05 | (+)7.62 |
| 5. Bahadurkhel | (-)0.57 | (-)0.47 | (-)0.28 | (-)0.09 | (+)1.79 | (+)7.62 |

882. Concluding, the departmental representative ascribed the main reason for the losses to an unrealistic sale price fixed by the Government and continuous increase in the incidence of salary, wages, overheads and other fringe benefits, as a result of Agreements with the Union.

883. As to their future prospects, the departmental representative made out that the machinery of the Salt Mines had become very old and it was becoming difficult to even maintain the existing production levels. The PMDC had, therefore, submitted a Scheme for the Development and Expansion of the Khewra, Warcha and Kalabagh Salt Mines at a total cost of Rs. 198.96 lac and its scheme has since been approved by the ECNEC. On its completion, production of salt will increase to 150.00 lac maunds per annum. The mines will sustain losses during the first 2 years because of lower production, as more and more stress will be given on the development of salt phases etc. In the 3rd year, *i.e.*, 1978-79, the mines are expected to earning a profit of Rs. 11.58 lac and the profits will increase in subsequent years. Due to the rising trend in costs and wages, periodical revision of the sale price is a must and, in case prices of salt are not allowed to be increased correspondingly, the mines will again begin to sustain losses as before.

884. The Committee noted that there was a great disparity between the selling price of salt to the stockists and the retail market price of salt. They stressed the need of elimination, as best as possible, avoidable middlemen, who seemed to be making huge profits, and streamlining the procedures on some scientific lines, to bring down prices to consumers.

OIL AND GAS DEVELOPMENT CORPORATION

885. *General.*—In reply to a query, the departmental representative informed the Committee that the total Government investment in the Corporation amounted to about Rs. 130 crore. Its unaudited accounts for 1975-76 were ready and the accounts for 1976-77 were under preparation.

886. The Committee did not feel happy over the manner in which the Ministry were over-seeing the working of the Corporation. They were also surprised to know that policies about their operations etc. for 1980 onwards were being framed by the Corporation on the basis of unaudited accounts even for 1975-76.

887. The departmental representative had no cogent explanation to offer for this abnormal delay in the preparation of accounts. The Committee directed the departmental representative to have the preparation of the accounts of the Corporation accelerated, so that the accounts for 1976-77 are completed by January, 1979 and those for 1977-78 by the 15th April, 1979 and sent to the Auditor General or the Secretary, National Assembly for being placed before the Committee. The Committee will then examine the financial position of the Corporation and discuss its performance.

888. The Committee also directed the departmental representative to get the accounts for 1975-76 audited by the 15th January, 1979.

COMPLIANCE REPORT

889. *Paras 6—8, page 125, PAC's Report for 1968-69 and 1969-70.*—The departmental representative stated that they had already sent the relevant papers to Audit (AGPR, Rawalpindi) for verification. Audit was requested by the Committee to kindly look into it.

890. *Physical verification of stores and stock by the Corporation.—Paras 81 and 82, page 135 PAC's Report for 1968-69 and 1969-70.*—The departmental representative stated in this case that though the Court of Inquiry had submitted its findings and recommended some disciplinary actions, the then Chairman found it fit to appoint a second Inquiry Committee, headed by the then Chief of Laboratories. Some of the persons concerned had since resigned and left the OGDC; and the others were absolved of the charges. Some were due for retirement and the remaining had been left in Bangladesh. The relevant file was handed over to Mr. Stehzaad Sadiq, the then Secretary of the Ministry and Chairman of the OGDC, and was not traceable. It appeared that the second inquiry was ordered because the first Inquiry Committee did not give the exact reasons as to how the loss came about and what was its extent. The second Committee came to the conclusion that the loss was due to wrong documentation, as materials had been issued without proper documents. Now, revised procedures and regulations had been introduced as a part of the streamlining of OGDC's working, which should prevent the recurrence of previous mistakes.

891. The Committee requested the audit to verify departmental explanation and report back, if considered necessary.

892. *Para 84, page 136, PAC's Report for 1968-69 and 1969-70.*—The Auditor-General confirmed that the details furnished by the Ministry had been verified.

893. The Committee made no observation on the rest of the compliance furnished by the Ministry.

MINISTRY OF FOOD AND AGRICULTURE

FOOD AND AGRICULTURE DIVISION

894. The second item on the Agenda was examination of the following business pertaining to the Food and Agriculture Division —

(a) Agriculture Wing

I. (i) Interim Report on serious irregularities (Page 9).

(ii) Report in respect of the following Enquiries ordered by PAC:—

- (a) Loss of Rs. 5,17,853—installation of machinery for cold storage plants for the fish and construction of 16 fish stalls (Page 166 of PAC's Report for 1968-69 and 1969-70).
- (b) Loss of Rs. 68,65,037—Government money kept in National Commercial Bank instead of National Bank of Pakistan. (Page 167 of PAC's Report for 1968-69 and 1969-70).

(b) Food Wing

II. (i) Interim Report on serious irregularities (Pages 10-11).

(ii) Inquiry ordered by PAC in respect of purchase of equipment for unloading wheat mechanically from ships. (Page 170 of PAC's Report for 1968-69 and 1969-70).

III. Reports about compliance by the Agriculture and Food Wings on specific as well as general recommendations directives, etc., contained in the PAC's Report for 1968-69 and 1969-70.

895. The following departmental representatives were present:—

1. Mr. A. Sami Qureshi, Secretary.
2. Mr. Manzur Ahmad, Additional Secretary.
3. Dr. A. S. Akhtar, Joint Secretary.
4. Malik Asrar Ahmad, D.G., I.P/S.

APPROPRIATION ACCOUNTS

896. The Appropriation and other accounts relating to the year 1970-71 and pertaining to the Ministry of Food and Agriculture were examined by the PAC at its meeting held on 18th September, 1976.

AGRICULTURE WING

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES

897. Loss of Rs. 2,50,558 due to mishandling of consignment at the port of discharge (Page 9—Interim Audit Report).—Out of 11,100 Metric tons of fertilizer, imported from abroad in July, 1974, 155.8 tons costing Rs. 2½ lac in foreign exchange were damaged at the port of discharge due mainly to mishandling and indiscriminate use of hooks by the Dock Labour, while unloading the cargo bags from the ship and loading it into wagons. The composition of the fertilizer was stated to be such that the contents coming out of the holes melted due to atmospheric conditions.

898. The departmental representative stated that a Board of Inquiry was constituted, consisting of three senior officers at the headquarters of the Department at Lahore. The Board did not blame anybody as it held that the responsibility was that of the consignee and the Surveyor had also found that there was no water in the hold. He stated that this happened due to bad handling by the stevedores, labour strike at the port and handling the same consignment twice. From the chemical analysis of the CAN, it was found that the material was sensitive to humid conditions and, as soon as it came into contact with humid air, it automatically melted to become liquid or muddy.

899. As to the attribution by Audit of the entire shortage to the use of hooks only, the fact was that shortage was due to damage to the bags on account of bursting of bags at the bottom, turning of the contents into a hard material which could not be broken and lifting of the bags through cranes, etc. A total number of 16,284 bags got effected in this way.

900. After discussion, the Committee made no observation for any further action in the matter.

INQUIRIES REPORTS

901. *Loss of Rs. 5,17,853—installation of machinery for cold storage plants for the fish and construction of 16 fish stalls—(Pages 166-167 of PAC's Report for 1968-69 and 1969-70).*—The PAC, at its meeting held on 9th December, 1975, had decided that :—

- (i) the case in the Court may be pursued by the Ministry ; and decision regarding disposal of land and structure be taken as early as possible by the Ministry.
- (ii) a detailed report determining the extent of responsibility of the P.W.D. in this case may be prepared by the Division and submitted to the Audit ;
- (iii) a detailed report investigating the responsibility of Pak. P.W.D. and M/s. Jalil Bros. along with explanation and other relevant material, be submitted by the Ministry to the Public Accounts Committee within three months. D.G. P&S. may also be invited to attend the meeting of the Committee when they are considering this report.

902. In compliance with the above directive, the Live Stock Division submitted a detailed report, based on the comments of the Works Division, and the counter-comments of the Marine Fisheries Department.

903. The departmental representative stated that after the examination of Works Division's comments and counter comments by the Director, Marine Fisheries the Livestock Division had come to the conclusion that if the motor of the plant was not burnt due to any technical mishandling or overload of power supply, M/s. Jalil Brothers, the suppliers, were responsible for its repairs. However, this was perhaps not the cause of the failure of the plant. The plant had failed, with a total loss of Rs. 5,17,835 to the Government, due to Pak. PWD's cutting off the electric connection for the plant on the 15/16th April, 1959, without demanding any electric dues from the MFD prior to the disconnection, nor was any intimation given to the Department regarding disconnection, although fish was lying therein. Notably the electric connection was disconnected by the Pak. PWD due to non-payment of a very negligible amount, not exceeding Rs. 3,860 whereas the Govt. loss was worth Rs. 5,17,835 and this was also the major cause for the failure of Scheme.

904. The Director, Marine Fisheries was also of the view that Rs. 5,17,835 in question was not totally lost to the Govt. because some of this amount could be recovered by auctioning the machinery/accessories of the cold storage plant. In the circumstances, the departmental representative concluded, that the responsibility for the failure of plant and the loss of Rs. 5,17,835 rested with the Pak. P.W.D.

905. The departmental representative further explained that the total cost of the scheme was Rs. 5 lac which included the setting up of 16 fish stalls at

various places and two cold storage plants. The machinery of this particular cold storage plant, was damaged due to burning of the motor. The other cold storage at Hydri was sold off, because the Government decided to abandon the scheme and sell off the assets. They, could not sell off this storage at Martin Road, because the Pak. P.W.D. did not agree to part with the land belonging to them.

906. He further informed the Committee that, when they were selling fish stalls by public auction through the D.G.S & D., all the fish stall holders brought stay orders from the Court. Some fish stall holders were still paying rent while others were depositing the same with the court, because many of the stalls had changed hands. The land site had not been transferred by the Pak. P.W.D. to the Fisheries Department yet, without which the latter were unable to dispose of the property.

907. The Committee felt unhappy over the manner in which the matter was being allowed to drift endlessly. After discussion, they directed that Secretary, Works, and Secretary, Food and Agriculture, must sort out this problem immediately and decide the matter. It was no use keeping it hanging indefinitely.

908. *Loss of Rs. 68,65,037 Govt. money kept in the National Commercial Bank instead of National Bank of Pakistan—(Page 167 of PAC's Report for 1968-69 and 1969-70).*—The departmental representative informed the Committee that the case was still *sub judice*. Mr. Jabbar, AFA was found to be responsible and the inquiry was with the Police. Reportedly, the funds were originally kept with the National Bank of Pakistan, who offered 3% interest per annum. On the advice of the Asstt. Financial Adviser, the funds were transferred to the National Commercial Bank, who offered 4% interest.

909. The Chairman observed that the Ministry should go into the details to determine whether any violation of rules and orders were involved and should also fix the responsibility, because, apparently the amount was deposited in the National Commercial Bank against Government instructions.

FOOD WING

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES (PAGES 10-11)

910. *Avoidable expenditure of Rs. 7 to 9 crores on the purchase of wheat. (Para 2, page 10 of Interim Report).*—1,02,145 tons of wheat were purchased from a foreign country in March, 1973, on cash basis, as under :—

52,498 tons @ US \$ 108.20 per long ton.

49,647 tons @ US \$ 123.80 per long ton.

Cash purchases are resorted to only when wheat is not available under aid/credit. The quantity of wheat likely to be available against PL-480 having been confirmed on 15th November, 1972, action to purchase the balance of the requirements with cash should have been taken soon thereafter. However, cash purchases were actually made in March, 1973 when prices had gone up considerably.

911. The departmental representative informed the Committee that the task of determination of the quantity of wheat to be purchased had now been entrusted to the Statistical Division. The present total storage capacity in the country was about two million tons of wheat and more godowns were being built every year.

912. The Chairman observed that wheat was being mostly imported from the USA and the purchases have some times to be made over the telephone, which is not practicable from Pakistan. Accordingly, the Pakistan Embassy in USA had been delegated full powers in regard to purchase of wheat. The year under reference was un-precedented. No-body could fore-see as to what would happen.

913. The Chairman further said that there should be some machinery to keep foreign market intelligence on the subject readily handy, to enable the Ministries, etc., to decide about the market and timing for making the most beneficial purchases.

914. Wheat is harvested in America in June. Therefore, price should naturally be the lowest there in July. Our purchases of wheat should be planned accordingly.

915. *Loss due to damage to maize (over Rs. 1 crore). Para 3, page 11 of Interim Report.*—A large quantity of maize (nearly 54,000 tons), valued at Rs. 2.22 crore was damaged by rains in 1967. It was sold off for Rs. 1.19 crore, resulting in a loss of Rs. 1.03 crore. Audit requested the Department in March, 1970 to investigate into the matter and fix responsibility for the loss.

916. The departmental representative informed the Committee that this maize was originally allocated to East Pakistan, but, later, directed to West Pakistan in lieu of wheat. The stocks remained exposed to heavy rains at the Karachi port. Only 38,000 tons remained fit for human consumption. The rationale of the decision to import maize was however not very clear. The Establishment Division was already holding an Inquiry in this case. In reply to a query by the Chairman about writing off the losses, the departmental representative said that action in this respect had not been initiated as yet.

917. The Committee directed the departmental representative to pursue the matter.

INQUIRY

918. *Purchase of equipment for unloading wheat mechanically from ships—Page 27, para 13 read with page 170, paras 19-20 of PAC's Report for 1968-69 and 1969-70.*—Audit had raised an objection to the infructuous expenditure of Rs. 26,80,016, incurred during 1962, on the purchase of equipment for the unloading of wheat from ships, mechanically, the machinery was found unsuitable for discharging unloading grams from large ships, had become obsolete and was lying idle. The Committee had directed that it should be examined whether the machinery can be brought into use or not. If not, then, to avoid a further loss to Government, it may be disposed of, as early as possible.

919. The departmental representative stated that the machinery was examined both by local and foreign experts and declared unserviceable. Efforts for its expeditious disposal, through the DG, IP & S also did not prove fruitful so far, as its public auction did not fetch a reasonable bid.

920. In the meantime, the Quarter Master General, who is supervising despatches of essential commodities from the Karachi Port, desired that renewed efforts should be made to retrieve the idle machinery. Accordingly, three of its

vacuators had been repaired and put to use. The price of vacuators was presently Rs. 4,00,000 per unit. Thus at least about Rs. 1.00 million to Rs. 1.12 million had been saved through their commissioning. They are being used for discharging Fertilizers. Efforts are being made to retrieve more of the machinery. Meanwhile, on the advice of the Q.M.G., the disposal of the equipment had been kept in abeyance.

921. After discussion, the Committee felt that in view of departmental explanation, there was nothing left for further consideration by the Committee.

COMPLIANCE REPORTS

922. There was nothing material for discussion by the Committee on the Compliance reports on the accounts for 1968-69 and 1969-70, submitted by the Ministry of Food and Agriculture.

MINISTRY OF FOREIGN AFFAIRS

923. The third item on the Agenda was examination of the following business pertaining to the Ministry of Foreign Affairs :—

- (i) Interim Report on serious irregularities (Pages 12—14).
- (ii) Report on Enquiry ordered by the PAC regarding Defalcation of Indian Rs. 21,133 equivalent to Pakistan Rs. 13,418. (Page 164—paras 97—100 of PAC's Report for 1968-69 and 1969-70).
- (iii) Report about compliance on *specific* as well as *general* recommendations; directives etc., contained in the PAC's Report on accounts for 1968-69 and 1969-70).

924. The following departmental representatives were present :—

1. Mr. A. A. Farooq, Additional Secretary.
2. Mr. Hamid Ali Khan, Director.

APPROPRIATION ACCOUNTS

925. The appropriation accounts and Audit Report for 1970-71 etc. relating to this Ministry were examined by the PAC at its meeting held on 17th September, 1976.

INTERIM AUDIT REPORT ON SERIOUS IRREGULARITIES

926. *Defalcation of Rs. 47,056 (£S. 19012) Para 1, page 12 of Interim Audit Report.*—In the Pakistan Mission in Syria, an amount of Rs. 47,056 as detailed below, (£S. 19,012) was found to have been defalcated by an Assistant, working as Accountant :—

- (i) £S. 10,000 (Rs. 24,750) was defalcated by tampering with figures in Cash Account.
- (ii) £S. 2920 (Rs. 7,227) on account of Passport and Visa fees received in July and August, 1975 were not accounted for in the Cash Book.
- (iii) £S. 1666.66 (Rs. 4,125) accounted for as expenditure in March, 1975 was again shown as advance against an insurance company on 24th August, 1975.

- (iv) £ S. 2000 (Rs. 4,950) were short paid to the Land Lord of the Chancery building.
- (v) £ S. 2426 (Rs. 6,004) representing consular fees were short deposited.

927. The departmental representative stated that the money had since been recovered from the official concerned. As regards disciplinary action against him, he had submitted a representation to the Adviser. The Committee impressed upon the departmental representative the need for an expeditious disposal of the representation and also that of initiating suitable disciplinary action against the official concerned in the light of decision on his representation.

928. The departmental representative was further asked to report back the outcome to the Auditor-General of Pakistan National Assembly Secretariat, for information of the Committee.

929. *Blockade of £11,407 and loss of interest.* (Para 2, page 12 of Interim Audit Report).—This para related to Defence Production Division.

930. *Loss/Overpayment of Rs. 74,178 due to use of Intermediary Bank and incorrect application of exchange rate.* (Para 3, page 13 of Interim Audit Report).—Explaining the position the departmental representative stated that Audit had observed that a loss of Rs. 69,691 in Foreign Exchange had occurred because of the use of an intermediary Bank in 1973 for remitting monthly imprest from Pakistan to Hanoi. The position was that, in 1973, it was not possible to adopt any direct banking channel between Pakistan and Hanoi. The State Bank of Pakistan had "no information about the Banks at Hanoi". The Vietnam Embassy in Peking advised that "funds may be transferred to the Bank of China in Hongkong or London or through Europe Bank in Paris". Therefore, the use of intermediary Bank was a necessity.

931. Remittances were sent to the National Bank of Pakistan, Hongkong with the concurrence of Ministry of Finance. These were converted into Hongkong dollars and remitted through the Bank of China to the Bank of Foreign Trade, Hanoi, where the Embassy had opened its accounts in May, 1973. The local transaction between the National Bank of Pakistan and Bank of China at Hong Kong involved no loss. On the other hand, the remittance from Hong Kong to Hanoi fetched a gain of Rs. 30,140. The loss reported by Audit actually occurred in the transaction from Pakistan to Hong Kong, which could not be avoided.

932. As regards overpayment of Rs. 4,487 due to the use of fixed rate of exchange, the Embassy had reported that it was not possible to obtain the current official rate of exchange from the Central Bank, which often refused their requests. These rates were also not being published regularly by the Central Bank. The Audit Report itself confirms this situation and acknowledges that rates were changed thrice, in March, 1974, July, 1974 and September, 1976. After this period, the current official rate of exchange was applied. Besides, this problem was not confined to Hanoi only, as there were certain other Missions which had been using fixed rates of exchange. The problem was examined, in consultation with the Ministry of Finance, and instructions were issued to all the Pakistani Missions abroad to effect recoveries of overpayment, where necessary. The Ministry had since received representations for the grant of Exchange Compensation, to off-set the losses suffered by the Officials due to the depreciation of the dollar. It has since been decided that requests for

exchange compensation may be considered, only after the recoveries have been effected. The C. A. O. has been directed to press the Missions to effect recoveries. In certain cases, and instruction have also been issued to the Ambassador Heads of the Missions.

933. The Committee accepted the explanation.

934. *Non-adjustment of temporary advances (Rs. 62,61,996)*—(Para 4, page 14 of Interim Audit Report).—The Auditor-General stated that temporary advances were drawn during the last about four years to meet expenditure on visit of foreign dignitaries and Pakistani delegations going abroad. The amounts of advances so drawn, from time to time, still remained to be accounted for, before further advances were drawn.

935. Accountants General do not normally permit the drawal of a temporary advance unless the amounts previously drawn, if any, had been adjusted. In this case, further advances were allowed to save the Ministry from an embarrassing situation. The amount drawn till December, 1977 totalled Rs. 85.88 lakh, against which only Rs. 20.32 lakh had been adjusted so far and Rs. 2.93 lakh refunded as unspent balance, leaving an unadjusted amount of over Rs. 62 lakh.

936. The departmental representative stated that these unadjusted advances mostly related to the advances authorised by the C.A.O. to various Accountants General of Provinces for payment to local agencies on visits of Foreign dignitaries. The local agencies did not furnish the requisite vouchers etc., with the result that the advances had remained unadjusted.

937. The Committee observed that the extenuating circumstances mentioned by the departmental representative could explain delay of a few weeks, but cannot be regarded as a satisfactory explanation for such an inordinate delay in adjustments. With the passage of time, securing of vouchers and rendering of accounts will become more and more difficult. Evidently, the matter had not been receiving that serious attention of the Ministry which it deserved. In the meantime, the unadjusted amount had recorded an increase due to further advances.

938. The departmental representative assured the Committee that they were in earnest correspondence with the concerned Provincial Governments in this matter and hoped for an early adjustments of the outstanding advances.

939. The Committee directed that the Ministry should make special efforts to finalise these accounts at the earliest under intimation to the Auditor-General and the National Assembly Secretariat.

ENQUIRY REPORT

940. *Defalcation of Indian Rs. 21,133 (equivalent to Pakistan Rs. 13,418)* (Para 6, page 31 read with paras 97—100—page 164 of PAC's Report for 1968-69 and 1969-70).—The departmental representative stated that the case of Mr. Iqbal Hussain was referred to the FIA for the recovery of the balance of embezzled amount through prosecution. As Mr. Iqbal Hussain had filed a civil petition for special leave to Appeal in the Supreme Court, the F.I.A. was of the opinion that no action could be taken for the present.

941. Thereafter, the case was referred to the Establishment and Law Divisions for advice whether the recovery of the embezzled amount of

Rs. 15,604.27 could be enforced through a Court of Law despite Mr. Iqbal Hussain's application in the Supreme Court against the decision of Service Tribunal. Both the Divisions were of the view that the said amount could be recovered from the accused by initiating a criminal case against him in the appropriate court. The file was, therefore, referred to the F.I.A. on 3rd January, 1978 for further necessary action and the FIA had not yet intimated about further developments in the matter.

942. The Committee observed that this case be kept pending till decision by the Supreme Court. The outcome of the case in the Supreme Court should be reported to Audit who may bring it to the Committee, if considered necessary.

COMPLIANCE REPORT

943. *Excess under grant No. 53 (Para 3, page 30 PAC's Report for 1968-69 and 1969-70).*—The departmental representative stated that, as directed by the P.A.C., an Inquiry Officer of the rank of Deputy Secretary was appointed to investigate into this case. It has now transpired that the Ministry did not incur excess expenditure under this sub-head during 1968-69, but had to accept debits of Rs. 3,44,884/91, pertaining to the period 1965-66 on account of belated book adjustments of the debit lying outstanding under the SUSPENSE HEAD of account. The remaining excess of Rs. 55,115.09 was due to large expenditure incurred on transfers.

944. The Auditor-General contended that the present reply of the Ministry is different from the one furnished by them earlier.

945. The departmental representative stated that the information given earlier was not incorrect altogether, though the exact factual position could become known very late. When the exact position became known, it was realised that there was some mistake in the earlier report. Hence the subsequent report with full facts.

946. The Committee accepted the explanation.

947. With the above examination of the accounts, the Committee fully completed :—

- (a) the unfinished business of the Standing Committee on Public Accounts of the National Assembly of Pakistan, dissolved on the 5th July, 1977, namely, examination of the Appropriation and other accounts of the Government of Pakistan and the Reports of the Auditor-General thereon relating to the financial year 1970-71, as required by the Finance Division Notification No. 313 (I)/78 dated the 25th March, 1978.
- (b) Examination of the Interim Audit Report submitted by the Auditor-General on the accounts of the Federal Government (including Defence Services, Pakistan Railways and WAPDA).

948. The Committee, thereafter, took up the examination of the Appropriation and other accounts of the Government of Pakistan and Report of the Auditor-General thereon relating to the financial year 1971-72.

M. A. HAQ,
Secretary.

ISLAMABAD :
The 24th January, 1979.

ANNEXURE IV

**OBSERVATION OF THE AD-HOC PAC ON THE WORKING PAPER
PREPARED BY THE FINANCE DIVISION**

(157—158)

Annexure IV

(See para 24 of Report)

- (1) *Observations of the Ad-hoc P.A.C. on the Working Paper prepared by the Finance Division.*—In the case of Commercial Accounts the accounts, audited by the private firms of Chartered Accountants under the Statute, and their reports should be suitably put together. Preparation of separate voluminous books in respect of such Accounts may not be required.
- (2) If the printing of accounts involves delay, they should be cyclostyled and attached to the reports, printed/cyclostyled, as the case may be.
- (3) Preparation of a Brief by the Auditor-General for use of the Committee is not essential. The Committee can base its examination on the statement of replies furnished by the Ministries/Divisions on the points brought out in the Federal Accounts and the audit reports thereon and the Auditor-General can make oral comments during the discussions in the Committee.
- (4) The bulk of Finance Accounts should be reduced by eliminating unnecessary information. For this purpose, a small team of representatives from the Finance Division and the Auditor-General should sit together and simplify the present format to make it more meaningful.
- (5) The Auditor-General should pick up major items of suspense say over Rupees one crore, which should be specially followed up by his office for clearance. This would, it was hoped, reduce the bulk of 'suspense' account by 60% to 70%. For this purpose, there should be separate parties for suspense, etc., clearance in each office of the Accountants General.
- (6) In case of inter-office accounts between the Civil and Defence, it may be useful to establish a proforma Defence account fund in the books of State Bank of Pakistan.
- (7) Exchange accounts, such as telephone bills, which are responsible for fairly large portion of the 'suspense', need to be dealt with specifically for an effective solution.
- (8) Normally, savings should not be accountable before the PAC unless they involve notable savings of large amounts pertaining to some important scheme or project.
- (9) According to rules in force, savings in a grant should be surrendered as soon as these are foreseen without waiting for the close of the year. Despite these rules and the instructions issued by the Finance Division, the Ministries/Divisions continue to surrender the savings on the last day of June each year. The surrenders thus made are of no practical utility.
- (10) The existing system, by which the budgetary allocations are made under the different circles of accounts, involves dilatory and difficult process of final reconciliation and consolidation of transactions. To

overcome this difficulty, the AGPR should have his sub-offices in the provinces in conjunction with offices of provincial Accountants General. Federal treasuries may be established at Provincial Headquarters and other big towns, depending on the work load. This arrangement would enable compilations of all payments and receipts of Federal Government to final budget heads, which could be easily consolidated by the AGPR.

- (11) With the nationalisation of Banks and Industries, the number of autonomous bodies has considerably increased. It will, therefore, be difficult for the Auditor-General to have the accounts of all the Autonomous Bodies examined by his staff every year. The best thing would be that the Ministry of Finance and the Auditor-General may select, between them every year, such bodies whose accounts should be audited during that particular year.
- (12) Under Section 145 of the Companies Act, Commercial Auditors are required to satisfy themselves only about the regularity of accounts|expenditure. It will be desirable that their Charter is modified so as to include therein an examination about the 'propriety' of expenditure as well.
- (13) A Committee, consisting of the Finance Secretary, Auditor-General and Secretary of the Administrative Ministry should select Auditors for the autonomous bodies for each year. These appointments could be formally endorsed by the companies at their Annual General meetings. Their remuneration may be increased, if called for, and their audit reports should be submitted through the Auditor-General.
- (14) The Ministry of Finance and the Auditor-General may be vested with the authority to direct the Auditors of Corporations|Companies to carry out additional work, as may be considered necessary by them.
- (15) Appropriation Accounts and Reports etc., may be got printed in private presses, if unavoidable, for speeding up the finalisation of accounts.
- (16) Additional staff|funds required by Audit, to clear the arrears of Federal Accounts and Reports as early as possible, should be provided by the Finance Division.

ANNEXURE V
RECOMMENDATIONS MADE BY THE COMMITTEES ON PUBLIC
ACCOUNTS IN THEIR REPORTS FOR 1965-66 TO 1969-70

(161—162)

RECOMMENDATIONS MADE BY THE COMMITTEES ON PUBLIC ACCOUNTS IN THEIR REPORTS FOR 1965-66 TO 1969-70

REPORT 1965-66

Some Ministries justified the excesses in expenditure incurred by them on the ground that the Ministry of Finance were asked for additional funds, but they refused to make the money available. The Committee directed that in such a case the administrative Ministries have no authority to incur expenditure and that they should refrain from incurring expenditure in excess of the authorised funds in anticipation that they will get a supplementary grant.

2. The Committee noted that there had occurred substantial savings in the expenditure on development projects and on social services such as education, health and agriculture. The Committee observed that the savings under development expenditure which were not surrendered in time, involved un-necessary blocking of scarce resources which could have been utilized elsewhere with greater advantage.

REPORT 1966-67 AND 1967-68

3. In a few cases, it was noticed that the departmental enquiries had either been held very late or their proceedings lingered so long that the persons responsible for irregularities or losses to Government had either retired or died with the result that neither the losses could be recovered nor any disciplinary action taken against them. The Committee directed that, in future, the department concerned should ensure that action in such cases is taken expeditiously and well in time and those found responsible for delaying the proceedings unnecessarily should be taken to task.

REPORT 1968-69 AND 1969-70

4. The Committee also felt that the existing system of keeping accounts was un-satisfactory and it was difficult for any one to formulate a clear picture of the financial operations of the Government by going through the Budget and the documents prepared by the Auditor-General. The Committee, therefore, recommended that Account organisations should be strengthened and a plan drawn up to separate Accounts from Audit over a period of two years. The Accounts Department should adopt as far as possible, the double entry system of accounting. It was further desired that the Audit should re-vitalise and re-orientate itself and that the manuals on the subject should be revised. There should be a shift in emphasis from purely procedural and technical objections to those of substance.

5. It was observed during the course of examination of accounts that most of the spending agencies took it for granted that supplementary funds would be available in any case. The Committee directed that in future all necessary and reasonable care should be taken and all out efforts made to get the approval of the Ministry of Finance in time wherever supplementary grant is involved. This is necessary to prevent financial indiscipline in offices.

6. The Committee went into the reasons for unfavourable arbitration awards, which in almost all the cases had gone against the Government and came to the conclusion that the cases had not been properly pursued and sufficient care was not exercised with the result that the Government had to sustain considerable losses. Such cases called for more expeditious action, and exercise of vigilance on the part of Ministries.

7. A directive should be issued that in purchases where time is of the essence, the urgency of purchases must be determined with a greater sense of responsibility and at a higher level. There is a tendency to prescribe un-realistic dates and over-estimate urgent requirements which result in unnecessary additional costs.

8. Approval of schemes and technical sanctions must be obtained before tenders are invited. Violation of this rule shall be taken serious note of by the Public Accounts Committee.

9. The practice of making requests for approval of tenders at a minute's notice needs to be discouraged. Snags, if any, in the procedure should be removed.

10. The responsibility of Ministries|Divisions and Departments under them, to furnish prompt and complete replies to objections raised by the Audit in respect of their accounts, should be again impressed upon them. Reasonable deadlines should be given for full and complete replies to be given to Audit, with intimation to the Secretary concerned. In the event of no replies or incomplete replies being received by the set date, Audit should assume that there is no more information or explanation for the Ministry|Division to furnish and the accounts should be finalised and presented to the Public Accounts Committee accordingly, without delay. If any further explanation or replies come forth from the Ministry|Division concerned subsequently, those responsible for wasting the time of the Auditor-General and the Public Accounts Committee, should, unless the Public Accounts Committee are satisfied with the reason for delayed submissions, be held guilty of negligence of duty and carelessness and dealt with accordingly.

ANNEXURE VI
DECISIONS OF GENERAL APPLICABILITY TAKEN BY AD-HOC PUBLIC
ACCOUNTS COMMITTEE IN THEIR MEETINGS FROM 4TH OCTOBER
TO 19TH NOVEMBER, 1978

(165—166)

DECISIONS OF GENERAL APPLICABILITY TAKEN BY AD-HOC
PUBLIC ACCOUNTS COMMITTEE IN THEIR MEETINGS FROM
4TH OCTOBER TO 19TH NOVEMBER, 1978.

The Committee took the following decisions of general applicability in their meetings held from 4th October to 19th November, 1978 :—

- (1) *Points not Discussed to be Treated as Settled.*—It was noted that the previous PAC had decided that the points arising in the Appropriation/Commercial Accounts, etc., but not discussed by them, will be deemed to have settled, subject to verification by Audit or regularisation by the competent authority, as called for.

The *Ad-hoc* Committee agreed that, generally, the procedures adopted previously may be followed.

- (2) *Main Concern of PAC only with Serious Irregularities in Appropriations.*—The Committee took the view that it would not be too much concerned with routine examination of variations, namely, savings or excesses in primary units, as these can be regularised by Ministries etc., under their delegated powers. The Committee would on the other hand, be seriously concerned with instances of lack of control over expenditure, excesses over and above the Grants as whole and particularly, flagrant violations of rules.

Savings in a grant can occur either in the service charges or in expenditure on implementation of schemes. Savings would be of significance only if they are a larger portion of the grant meant for a specific project. If the Legislature had appropriated a grant for a particular project and the money had not been spent, the Legislature was entitled to know, through the PAC, the reasons for its non-utilisation, as this could amount to circumventing the Legislature's objective. In this context, however, whether the savings were surrendered or not would be irrelevant.

- (3) *Explanation for Excesses as being due to Belated Adjustments of Expenditure should show Corresponding Savings in the Past Year.*—The Committee noticed that a frequent departmental explanation in respect of excesses over sanctioned grant was adjustment of expenditure, pertaining to the preceding financial year, in that particular year. The Committee wanted it to be laid down that such an explanation could be acceptable only if the department concerned could show a corresponding saving in the financial year to which the belatedly adjusted expenditure was claimed to pertain.

The Committee was of the view that the expenditure, for which a debit is expected but is not received before the close of the financial year, the Departments must surrender the amount within that year and seek a corresponding allocation of funds for the anticipated debit in the following year.

- (4) *Cash payment in lieu of book adjustment in inter-departmental transactions.*—To improve budgetary control and settlement of accounts by the end of each financial year, the question of introduction of system of cash payment in inter-departmental transactions, instead of booking of expenditure through debits, should be seriously examined.
- (5) *Assessment of Price.*—The Committee noticed that, in a particular case, price of a building was determined on *ad-hoc* basis without any prior evaluation. The Committee directed that, while purchasing a building, the authority concerned must, in the first instance, have it evaluated by experts and the price of the building should be duly determined only thereafter.
- (6) *Registration of Firms.*—The Committee came across cases where a particular firm, which had failed to fulfil its contractual obligation in one contract, were able to secure other contracts in different names. Contracts awarded in such circumstances were almost always found to be detrimental to Government interest. The Committee directed that greatest possible care and vigilance must be exercised and due inquiry held about the *bona fides* etc., of a firm by the authorities concerned, before it is approved for registration. Cases of negligence by the staff in this matter should be punished severely.
- (7) *Adjustments through book debits.*—The Committee observed that the prescribed procedure of effecting "adjustment" through book debits, which continues after the close of a financial year, was one of the main causes of non-reconciliation of accounts by the end of the year. They desired that adjustment of all types of expenditure should be in full swing by April, so that Ministries/Divisions could know the final position of their expenditure/receipts by the 31st May. This would, to a great extent, resolve the difficulty about post-surrender receipt of book adjustments. As an alternative, the question of introduction of the system of cash payments, in substitution for book adjustments, may be examined.
- (8) *Specification of accommodation for equipment etc., proposed to be purchased from abroad, to be ascertained in advance.*—In a certain case, it was noticed that equipments had been ordered from abroad without advance planning about the availability of a proper building to house the same, on receipt from abroad. Consequently, the equipment remained lying in store without being utilised and continued to deteriorate.
- The Committee desired that, while deciding upon the purchase of a particular equipment in the future, detailed specifications about the building required to house it must be ascertained from the supplier simultaneously. Thereafter, the availability of the required building must be ensured before machinery is actually shipped.
- (9) *Deposit of cash in Deposit Account rather the current account.*—In a certain case, considerable amount in foreign currency was kept for a long time in the 'current' rather than 'deposit' account in a bank in a foreign country on the ground that the money may be required at short notice. This deprived the Government of the interest, which would have otherwise accrued on it.

The Committee directed that whenever payment of an amount in a foreign country was not imminent within three months, that amount should be kept in the 'Deposit Account' of a Pakistani Bank in that foreign country, upon which the bank should be asked to pay interest at the prevailing rate.

- (10) *Lump sum contract not to be awarded for large items.*—The Committee noticed, with surprise, that there were a number of cases in which large lump sum contracts had been or were still being awarded. The Committee desired that a circular be issued to Ministries/Divisions etc., that, in future, lump sum contracts may, if unavoidable, be given only for a few small items and not for large construction projects.
- (11) *Arbitration Act to be amended.*—The Committee noticed that, in most cases, the Arbitrators did not record any ground for their awards. The Government found it extremely difficult to successfully challenge in a court of law the awards given against them because no reasons had been given therefor and it was not easy to establish the *mala fides* of the arbitrator in most cases.

The Committee strongly recommended that Government should consider the desirability of amending the Arbitration Act so that it became binding upon an Arbitrator to put down, in writing, the grounds on which his awards was based.

- (12) *Cancellation of contracts at risk and expense of a firm.*—Provision relating to cancellation of a contract for non-fulfilment and re-purchase at the risk and cost of the earlier contractor needed to be reviewed, as this exercise was almost always infructuous.

It was common experience that Government departments are hardly ever able to realise the risk and cost money from the contractor, whose contract may have been cancelled for non-fulfilment.

- (13) *Recovery of irregular payment no justification for not drawing up departmental proceedings.*—The Committee felt that the recovery of amount of irregular payment should not automatically absolve person concerned. Departmental proceedings are necessary against the delinquents in such cases.
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Annexure VII
STATEMENTS—1 to 5

(171-172)

(See para 30 of the Report)

STATEMENT No. 1

SUMMARY OF RESULTS OF APPROPRIATION AUDIT
APPROPRIATION ACCOUNTS 1970-71

(In lacs of Rupees)

| | Original Grant or Appropriation | Final Grant or Appropriation | Actual Expendi- ture | Variation Excess + Saving— | Percent- age |
|--------------------------------------|---------------------------------------|------------------------------------|----------------------------|----------------------------------|-----------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Other than Charged</i> | | | | | |
| Expenditure met from Revenue : | | | | | |
| Civil : | | | | | |
| New.. .. . | 57,30 | 1,07,09 | 23,25 | —83,84 | 78.29 |
| Other | 1,21,02 | 1,21,28 | 1,22,90 | +1,62 | 1.34 |
| Defence : | | | | | |
| New.. .. . | 14,14 | 16,40 | 16,37 | —3 | .18 |
| Other | 2,87,41 | 3,05,15 | 3,05,15 | .. | .. |
| P. T&T | 36,01 | 36,01 | 35,35* | —66 | 1.83 |
| Railways : | | | | | |
| New.. .. . | 2,05 | 2,14 | 1,38 | —76 | 35.51 |
| Other | 71,61 | 71,61 | 63,83 | —7,78 | 10.86 |
| Total | 5,89,54 | 6,59,68 | 5,68,23 | —91,45 | 13.86 |
| Expenditure met from Capital : | | | | | |
| Civil: | | | | | |
| New.. .. . | 1,72,68 | 1,80,43 | 1,06,93 | —73,50 | 40.74 |
| Other | 1,15,57 | 1,15,57 | 1,02,35 | —13,22 | 11.44 |
| Defence | | | | | |
| P. T&T | 21,40 | 23,40 | 24,47* | +1,07 | 4.57 |
| Railways | 27,50 | 27,50 | 31,10 | +3,60 | 13.09 |
| Total | 3,37,15 | 3,46,90 | 2,64,85 | —82,05 | 23.65 |
| Disbursement of Loans and Advances : | | | | | |
| New.. .. . | 53,54 | 53,54 | 39,48 | —14,06 | 26.26 |
| Other | 2,26 | 2,26 | 2,31 | +5 | 2.21 |
| Total | 55,80 | 55,80 | 41,79 | —14,01 | 25.11 |
| Total Other than Charged | 9,82,49 | 10,62,38 | 8,74,87 | —1,87,51 | 17.65 |

Charged

Expenditure met from Revenue :

| | | | | | |
|------------------|----------------|----------------|----------------|---------------|-------------|
| Civil | 1,26,37 | 1,28,45 | 1,16,51 | -11,94 | 9.29 |
| P. T&T | 4,66 | 4,75 | 4,99 | +24 | 5.05 |
| Railways | 7,28 | 7,52 | 7,65 | +13 | 1.73 |
| Total .. | 1,38,31 | 1,40,72 | 1,29,15 | -11,57 | 8.22 |

Expenditure met from Capital :

| | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|--------------|
| Civil | .. | 3 | 1 | -2 | 66.67 |
| Disbursement of Loans and Advances .. | 4,11,50 | 4,12,57 | 2,77,33 | -1,35,24 | 32.78 |
| Total (Charged) .. | 5,49,81 | 5,53,32 | 4,06,47 | -1,46,85 | 26.54 |
| Repayment of Debt | 14,37,35 | 19,77,02 | 19,20,31 | -56,71 | 2.87 |
| Total Expenditure met from Revenue .. | 7,27,85 | 8,00,40 | 6,97,38 | -1,03,02 | 12.87 |
| Total Expenditure met from Capital .. | 3,37,15 | 3,46,93 | 2,64,86 | -82,07 | 23.66 |
| Total Disbursement of Loans and Advances .. | 4,67,30 | 4,68,37 | 3,19,12 | -1,49,25 | 31.87 |
| Total Repayment of Debt .. | 14,37,35 | 19,77,02 | 19,20,31 | -56,71 | 2.87 |
| GRAND TOTAL .. | 29,69,65 | 35,92,72 | 32,01,67 | -3,91,05 | 10.88 |

*The expenditure was not classified by 'New' and 'Other than New' by the Department concerned.

STATEMENT No. 2

1970-71

ANALYSIS OF SAVINGS AND EXCESSES BY MAIN DEPARTMENTS, THAT IS, CIVIL, DEFENCE, POST, TELEGRAPH AND TELEPHONES AND RAILWAYS.

(In lacs of Rupees)

| | Final Grant | Expenditure | Excess + Saving— | Percentage |
|---|-------------|-------------|------------------|------------|
| 1 | 2 | 3 | 4 | 5 |
| (a) As compared with Gross Grants including surrenders within the Grants : | | | | |
| Civil | 30,98,24 | 27,11,38 | —3,86,86 | 12.49 |
| Defence | 3,21,55 | 3,21,52 | —3 | .01 |
| P. T&T | 64,16 | 64,81 | +65 | 1.01 |
| Railways | 1,08,77 | 1,03,96 | —4,81 | 4.42 |
| Total .. | 35,92,72 | 32,01,67 | —3,91,05 | 10.88 |
| (b) As compared with Net Grants excluding surrenders within the Grants : | | | | |
| Civil | 28,98,70 | 27,11,38 | —1,87,32 | 6.46 |
| Defence | 3,21,52 | 3,21,52 | —3 | .01 |
| P. T&T | 58,61 | 64,81 | +6,20 | 10.58 |
| Railways | 99,48 | 1,03,96 | +4,48 | 4.50 |
| Total .. | 33,78,34 | 32,01,67 | —1,76,67 | 5.23 |

STATEMENT No. 3

1970-71

ANALYSIS OF THE SAVINGS AND EXCESSES UNDER REVENUE, CAPITAL
AND LOANS AND ADVANCES

(In laes of Rupees)

| | Original Grant or Appropriation | Final Grant or Appropriation | Actual Expendi- ture | Excess + Saving -- | Perce- tage |
|--|---------------------------------------|------------------------------------|----------------------------|-----------------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Civil</i> | | | | | |
| Expenditure met from Revenue Other than Charged : | | | | | |
| New.. .. . | 57.30 | 1,07.09 | 23.25 | --83.84 | 78.29 |
| Other | 1,21.02 | 1,21.28 | 1,22.50 | +1.62 | 1.34 |
| Charged | 1,26.37 | 1,28.45 | 1,15.51 | --11.54 | 9.29 |
| Total | 3,04.69 | 3,56.82 | 2,62.66 | --94.16 | 26.39 |
| Expenditure met from Capital Other than Charged : | | | | | |
| New.. .. . | 1,72.68 | 1,80.43 | 1,06.93 | --73.50 | 40.74 |
| Other | 1,15.57 | 1,15.57 | 1,02.35 | --13.22 | 11.44 |
| Charged | .. | 3 | 1 | --2 | 66.67 |
| Total | 2,88.25 | 2,96.03 | 2,09.29 | --86.74 | 29.30 |
| Disbursement of Loans and Advances | | | | | |
| Other than Charged : | | | | | |
| New.. .. . | 53.54 | 53.54 | 39.48 | --14.06 | 26.26 |
| Other | 2.26 | 2.26 | 2.31 | +5 | 2.21 |
| Charged | 4,11.50 | 4,12.57 | 2,77.33 | --1,35.24 | 32.78 |
| Total | 4,67.30 | 4,68.37 | 3,19.12 | --1,49.25 | 31.87 |
| Repayment of Debt | | | | | |
| Charged | 14,37.35 | 19,77.02 | 19,20.31 | --56.71 | 2.87 |
| Total Civil | 24,97.59 | 30,98.24 | 27,11.38 | --3,86.86 | 12.49 |
| <i>Defence</i> | | | | | |
| Expenditure met from Revenue | | | | | |
| Other than Charged : | | | | | |
| New.. .. . | 14.14 | 16.40 | 16.37 | --3 | .18 |
| Other | 2,87.41 | 3,05.15 | 3,05.15 | .. | .. |
| Expenditure met from Capital | | | | | |
| Total | 3,01.55 | 3,21.55 | 3,21.52 | --3 | .01 |

Pakistan Posts, Telegraph and Telephones

Expenditure met from Revenue :

| | | | | | |
|--------------------------|-------|-------|--------|-----|------|
| Other than Charged | 36,01 | 36,01 | 35,35* | -66 | 1.83 |
| Charged | 4,66 | 4,75 | 4,99 | +24 | 5.05 |
| Total .. | 40,67 | 40,76 | 40,34 | -42 | 1.03 |

Expenditure met from Capital :

| | | | | | |
|----------------------------|-------|-------|--------|-------|------|
| Other than Charged | 21,40 | 23,40 | 24,47* | +1,07 | 4.57 |
| Total Pak Posts, T&T | 62,07 | 64,16 | 64,81* | +65 | 1.01 |

Railways

Expenditure met from Revenue

Other than Charged :

| | | | | | |
|---------------|-------|-------|-------|-------|-------|
| New | 2,05 | 2,14 | 1,38 | -76 | 35.51 |
| Other | 71,61 | 71,61 | 63,83 | -7,78 | 10.86 |
| Charged | 7,28 | 7,52 | 7,65 | +13 | 1.73 |
| Total .. | 80,94 | 81,27 | 72,86 | -8,41 | 10.35 |

| | | | | | |
|---------------------------------|----------|----------|----------|----------|-------|
| Expenditure met from Capital .. | 27,50 | 27,50 | 31,10 | +3,60 | 13.09 |
| Other than Charged | .. | .. | .. | .. | .. |
| Total Railways .. | 1,08,44 | 1,08,77 | 1,03,76 | -4,81 | 4.42 |
| GRAND TOTAL .. | 29,69,65 | 35,92,72 | 32,01,67 | -3,91,05 | 10.88 |

*The expenditure was not classified by 'New' and 'Other than New' by the Department.

STATEMENT No. 4

1970-71

(See paragraph 12 on page 7 of the Report)

Statement showing excesses over authorised grants which require to be regularised.

| Sl. No. | No. and Name of the Grant | Final Grant | Actual Expenditure | Excess |
|---------|---|-------------|--------------------|--------------|
| 1 | 2 | 3 | 4 | 5 |
| | | Rs. | Rs. | Rs. |
| | <i>Civil</i> | | | |
| 1. | 1-Food and agriculture Division Other | 50,57,000 | 1,31,82,407 | 81,25,407 |
| 2. | 3-Zoological Survey Department Other | 1,63,000 | 4,09,240 | 2,46,240 |
| 3. | 5-Fisheries Other | 6,83,900 | 7,08,395 | 24,495* |
| 4. | 6-Rehabilitation and Works Division Other | 13,87,000 | 16,02,355 | 2,15,355 |
| 5. | 7-Civil Works Other | 3,82,13,200 | 9,14,39,601 | 5,32,26,401* |
| 6. | 10-Capital Outlay on Purchase of Fertilizers New | 1,18,000 | 3,68,217 | 2,50,217 |
| 7. | 13-Establishment Division Other | 47,25,000 | 94,09,988 | 46,84,988 |
| 8. | 17-Export Promotion Other | 48,85,900 | 58,62,633 | 9,76,733* |
| 9. | 21-Ministry of Communications Other | 23,61,800 | 25,48,010 | 1,86,210* |
| 10. | 30-Meteorology Other | 1,30,49,308 | 1,36,82,511 | 6,33,203* |
| 11. | 31-Aviation Other | 2,00,21,700 | 10,50,45,113 | 8,50,23,413* |
| 12. | 32-Other Expenditure of Ministry of Defence Other | 36,60,251 | 40,52,493 | 3,92,242* |
| 13. | 34-Education Division Other | 51,47,894 | 53,15,640 | 1,67,746* |
| 14. | 37-Government Colleges and Schools Other | 27,31,500 | 29,33,339 | 2,01,839* |
| 15. | 39-Other Expenditure of Scientific and Technological Research Division Other | 3,02,90,000 | 3,22,46,446 | 19,56,446 |
| 16. | 43-Superannuation Allowances and Pensions Other | 2,27,97,700 | 2,68,70,971 | 40,73,271* |

| 1 | 2 | 3 | 4 | 5 |
|-----|--|--------------|--------------|--------------|
| 17. | 44 Other Expenditure of Ministry of Finance Other | 5,32,000 | 6,68,269 | 1,36,269 |
| 18. | 45-Grants-in-Aid and Miscellaneous adjustments between the Central and Provincial Governments Other | 3,63,46,000 | 4,02,77,457 | 39,31,457* |
| 19. | 49-Taxes on Income, Corporation Tax and Sales Tax Other | 1,59,53,500 | 1,89,85,116 | 30,31,616* |
| 20. | 51-National Savings Other | 10,23,400 | 11,08,635 | 85,235* |
| 21. | 56-Ministry of Foreign Affairs Other | 74,10,000 | 74,83,711 | 73,711 |
| 22. | 57-Foreign Affairs Other | 3,93,47,000 | 3,96,60,399 | 3,13,399 |
| 23. | 63-Labour and Social Welfare Division Other | 30,80,000 | 31,57,152 | 77,152 |
| 24. | 68-Passport Organisation Other | 15,95,100 | 17,56,021 | 1,60,921* |
| 25. | 69-Civil Defence Other | 4,03,100 | 4,06,166 | 3,066* |
| 26. | 70-Other Expenditure of Home Affairs Division Other | 1,68,28,100 | 2,82,79,553 | 1,14,51,453* |
| 27. | 74-Frontier Regions Other | 11,02,45,000 | 12,09,25,482 | 1,06,80,482 |
| 28. | 74-A-Centrally Administered Tribal Areas Other | 1,71,70,000 | 1,73,43,888 | 1,73,888 |
| 29. | 77-Industries Division Other | 21,12,000 | 21,34,478 | 22,478 |
| 30. | 78-Industries Other | 6,53,900 | 11,05,428 | 4,51,528* |
| 31. | 80-Stationery and Printing Other | 1,37,70,500 | 1,58,74,026 | 21,03,526* |
| 32. | 83-Geological Survey Other | 19,34,200 | 22,55,918 | 3,21,718* |
| 33. | 89-Information Services Abroad Other | 40,66,000 | 43,94,724 | 3,28,724 |
| 34. | 90-Pakistan Broadcasting Service Other | 2,50,92,000 | 2,56,43,848 | 5,51,848* |
| 35. | 95-Economic Affairs Division Other | 84,63,100 | 99,64,299 | 15,01,199* |
| 36. | 96-Technical Assistance Schemes Other | 5,51,25,000 | 6,15,01,270 | 63,76,270 |
| 37. | 98-Development Expenditure of Food and Agriculture Division Other | 7,99,500 | 6,26,25,173 | 6,18,25,673* |

| 1 | 2 | 3 | 4 | 5 |
|-----|--|--------------|--------------|---------------|
| 38. | 100-Capital Outlay on Fisheries Other | — | 65,152 | 65,152 |
| 39. | 101-Capital Outlay on Food Storage and Other Works New | 12,20,000 | 98,70,693 | 86,50,693 |
| 40. | 103-Capital Outlay on Civil Works Other | 35,000 | 12,43,804 | 12,08,804 |
| 41. | 104-Capital Outlay on Rehabilitation of dis- placed persons from Kashmir New | 5,00,000 | 5,39,934 | 39,934 |
| 42. | 117-Capital Outlay on Scientific and Techno- logical Research Other | 3,08,00,000 | 5,79,86,237 | 2,71,86,237 |
| 43. | 120-Development Loans and Advances by the Central Government Other | — | 8,45,033 | 8,45,033 |
| 44. | 123-Development Expenditure of Family Planning Division New | 3,22,10,000 | 3,40,39,593 | 18,29,593* |
| 45. | 124-Development Expenditure of Kashmir Affairs Division Other | — | 48,56,713 | 48,56,713 |
| 46. | 125-Development Expenditure of States and Frontier Regions Division Other | — | 17,83,895 | 17,83,895 |
| 47. | 128-Development Expenditure of Natural Resources Division Other | — | 3,197 | 3,197 |
| 48. | 130-Capital Outlay on Mineral Development Other | — | 17,51,993 | 17,51,993 |
| 49. | 131-Capital Outlay on Irrigation and Electri- city Other | — | 9,830 | 9,830 |
| 50. | 132-Capital Outlay on Flood Control New | — | 7,50,00,000 | 7,50,00,000* |
| 51. | 135-Capital Outlay on Broadcasting Services New | 2,06,20,400 | 2,33,50,773 | 27,30,373* |
| | <i>Pak. Posts, Telegraphs and Telephones De- partment</i> | | | |
| 52. | 110-Capital Outlay on Telegraphs and Tele- phones Department | 21,99,98,000 | 23,32,60,556 | 1,32,62,556** |
| | <i>Railways</i> | | | |
| 53. | 6-Expenditure not met from Revenue .. | 27,50,00,000 | 31,09,76,232 | 3,59,76,232 |

*These grants show the cases in respect of all circles of account other than East Pakistan circle, in which expenditure was incurred in excess of Grants. The excesses are required to be regularised by an Excess Budget Statement under Article 84 read with Article 277 (2) of the Constitution. Such cases in respect of East Pakistan circle could not be included as the grantwise material of actual expenditure was not made available due to political disturbances.

**The distribution of Expenditure by 'New' and 'Other than New' was not intimated by the Department concerned.

STATEMENT No. 5

1970-71

(See paragraph 32 on page 7 of the Report)

Statement showing excesses over Charged appropriations which require to be regularised.

| Sl. No. | No. and Name of Appropriation | Final Appropriation | Actual Expenditure | Excess |
|---------|--|---------------------|--------------------|-----------|
| 1 | 2 | 3 | 4 | 5 |
| | | Rs. | Rs. | Rs. |
| | <i>Civil</i> | | | |
| 1. | 43-Superannuation Allowances and Pensions. | 21,36,000 | 22,12,536 | 1,76,536* |
| 2. | 58-Other Expenditure of Ministry of Foreign Affairs | 16,00,000 | 17,58,882 | 1,58,882 |
| | <i>Pak. Posts, T&T</i> | | | |
| 3. | 23-Pak Telephones and Telegraphs Department | 3,98,65,000 | 4,22,9 2536 | 24,27,536 |
| | <i>Railways</i> | | | |
| 4. | 5-Appropriation to Funds and Payment of return on Central/Provincial Governments Capital Investments | 7,51,88,000 | 7,64,57,719 | 12,71,719 |

*This appropriation shows the excess in respect of all circles of account other than East Pakistan circle, in which expenditure was incurred in excess of Appropriation. The excesses are required to be regularised by an Excess Budget Statement under Article 84 read with Article 277 (2) of the Constitution. Such cases in respect of East Pakistan circle could not be included as the grantwise material of actual expenditure was not made available due to political disturbances.

Appendix I
List of National Shipping Corporation's Ex-Agents

183-184

LIST OF N. S. C's Ex-AGENTS

| Sl. No. | Name of Agent | Port/country | Date of appointment | Date of termination | Balance, if any, as on 30-6-1976 | | Remarks |
|---------|--|--------------------|---------------------|---------------------|----------------------------------|--------------------|---------|
| | | | | | in favour of N. S. C. | in favour of agent | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Messrs | | | | | | | |
| 1. | Waterman Steamship Corpn. | U.S.A. Ports. | 9-7-64 | 31-12-67 | Nil. | Nil. | |
| 2. | East West Shipping Agencies Inc. | Do. | 1-1-68 | 29-12-72 | 317,68,915.99 | Nil. | |
| 3. | Tilston Roubts Corp. | Do. | 2-1-73 | 31-1-75 | Nil. | Nil. | |
| 4. | Texas Transport & Terminal Corp. | Do. | 1-2-75 | 31-1-77 | 13,83,953,88 | Nil. | |
| 5. | Keel Shipping & Trading Co. .. | Canadian Ports. | 23-3-67 | 29-11-73 | 88,84,610.27 | Nil. | |
| 6. | Escombe McGrath & Co. Ltd. .. | UK ports | 10-2-64 | March/73 | 3,53,368.41 | Nil. | |
| 7. | Associated Shipping Services. .. | Do. | 1-3-73 | Sept/75 | 42,38,178.65 | Nil. | |
| 8. | Detjen Schiffahrtssagentur | Hamburg Germany | 3-4-67 | 31-1-76 | Nil. | Nil. | |
| 9. | Nicolas Haye & Co. .. | Bremen Germany. | 1-4-66 | 30-10-75 | Nil. | 90,498.32 | |
| 10. | Wambersie & Zoon C.V.-O. A. .. | Rotterdam/Holland. | 1-4-66 | 31-12-75 | Nil. | 46,693.98 | |
| 11. | P. Von. Dosselaere & Cie S.P.R.C. | Antwerp/Belgium. | Feb. 64 | 31-1-70 | Nil. | Nil. | |
| 12. | Hauseatrsches Seefrachtenkenntor G. m.b.h. | Hamburg/Germany. | Feb. 64 | 30-6-67 | Nil. | Nil. | |
| 13. | Navora Santa Maria, Port Rota .. | Spanish Ports. | 1-6-67 | June/73 | 7,761.25 | Nil. | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-----|--------------------------------------|----------------------------------|---------|----------|-------------|----------|--------------------------------|
| 14. | Gokal Agencies Co. . . | Besra/ Iraq. | 1-4-67 | June/69 | 1,12,754.13 | Nil. | |
| 15. | Somali Shipping . . | Berbera/ Somalia Republic. | — | — | — | 3,688.89 | |
| 16. | Ceylenco Shipping & Trading Co. Ltd. | Ceylon. | 12-6-69 | 16-5-72 | 2,28,787.54 | Nil. | Present Bal. Rs. 19,947.42. |
| 17. | Eastern Development Corpn. Ltd. | Bangkok Thailand | — | — | 4,84,700.16 | Nil. | |
| 18. | Eastern Maritime (Thailand) Ltd. | Bangkok Thailand | 15-2-69 | — | 1,03,787.93 | Nil. | |
| 19. | Evrett Steamship Co. . . | Japan | 1-3-65 | Jan/69 | Nil. | Nil. | |
| 20. | Japan Lines Ltd. . . | Do. | 16-2-69 | 30-9-71 | Nil. | Nil. | |
| 21. | Nippon Maritime Co. Ltd. | Do. | 6-3-71 | 30-11-74 | Nil. | Nil. | |
| 22. | Global Marine Co. Ltd. . . | Do. | 1-12-74 | 24-10-75 | Nil. | Nil. | |
| 23. | Cory Brothers | Port said U.A.R. | 13-4-64 | 30-9-65 | Nil. | Nil. | |
| 24. | Cory Brothers | Aden | 13-4-64 | 11-6-68 | Nil. | Nil. | |
| 25. | Ebrahim Rahmatullah . . | Aden. | 11-6-68 | 1-4-72 | Nil. | Nil. | |
| 26. | Laslie Anderson (EA) . . | Mombassa Kenya. | 2-5-66 | — | Nil. | Nil. | |

LIST OF N.S.C.'s. CURRENT AGENTS

| Sl. No. | Name of Agent (Messrs) | Port/Country | Date of Appointment | Balance, if any, on 30-6-1976 | | Remarks |
|---------|--|----------------------------|---------------------|-------------------------------|--------------------|---------|
| | | | | in favour of N.S.C. | in favour of Agent | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. | Cross Ocean Shipping Co. Ltd. | U.S.A. Ports | 1-2-77 | Nil. | Nil. | |
| 2. | Lillies Marine Agencies Ltd. | Canadian Ports. | 30-11-73 | 4,40,735.43 | Nil. | |
| 3. | Brown Jenkinson and Co. Ltd. | U.K. Ports | 1-7-75 | 17,29,062.54 | Nil. | |
| 4. | Peter W. Lampke .. | Hamburg/ Germany. | 1-2-76 | 19,32,009.66 | Nil. | |
| 5. | Peter W. Lampke .. | Bremen/ Germany. | 1-11-75 | Nil. | 6,66,140.19 | |
| 6. | Vrachtmail .. | Rotterdam/ Holland. | 1-1-76 | 5,28,496.43 | Nil. | |
| 7. | S. A. Saxonour .. | Antwerp/ Belgium. | 1-2-70 | Nil. | 1,02,077.48 | |
| 8. | Scan Shipping .. | Copenhagen/ Denmark. | 1-8-72 | 48,147.58 | Nil. | |
| 9. | E.T.S. Henri Herpin | Marseilles/ France. | 20-5-64 | 60,609.50 | Nil. | |
| 10. | Agenzia Marittima Italo Scandinava, S.P.A. | Genova/ Italy. | 8-11-65 | 82,065.65 | Nil. | |
| 11. | Ecopesa Barcelona .. | Spanish Ports. | June/73 | 3,22,140.34 | Nil. | |
| 12. | Inflot State Shipping Agency. | Sofia/ Bulgaria. | 22-6-68 | 2,47,399.20 | Nil. | |
| 13. | Jugoslavenska Panorska Agencija. | Rijeka/ Yugoslavia. | 24-6-64 | 2,01,757.17 | Nil. | |
| 14. | Morska Agencija W. Gdyni. .. | Gdansk/ Poland. | 1-4-69 | 17,06,949.37 | Nil. | |
| 15. | Romtrnas Shipping Agency. | Bucharest/ Romania. | 22-6-68 | Nil. | 3,34,684.51 | |
| 16. | Sociedade Commercial Grey, Autmaes.. | Lisbon/ Portugal. | 27-4-65 | Nil. | 33,866.94 | |
| 17. | Checomfracht Shipping Int : | Prague/ Czechoslovakia. | 12-6-68 | 7,55,343.31 | Nil. | |
| 18. | Arzia Agencija Maritram (Sub-Agents) | Cadiz/ Spain. | 1967 | 1,29,160.20 | Nil. | |
| 19. | Maritime Agency, Infloat. | Odessa/ U.S.S.R. | -- | Nil. | 36,606.41 | |

Appendix II
List of National Shipping Corporation's Current Agents.

(87-88)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|-----|---|--------------------------|---------|-------------|-------------|---|
| 20. | V.E.B. Schiffsmarlerie. | East Germany. | — | 1,987.92 | Nil. | |
| 21. | E.C.O.P.E.S.A. Lass Palmas. | Canar/ Island. | 29-5-68 | Nil. | 10,954.45 | |
| 22. | Freight Services Ltd... | Capetown/ S. Africa. | — | Nil. | 19,721.67 | |
| 23. | Furnes Withey and Co. Ltd. | West Indies. | — | Nil. | 398.60 | |
| 24. | Gellatly, Hankey and Co. Asmara. | Ethopian Ports. | — | 13,192.16 | Nil. | |
| 25. | Gellatly Hankey and C.I.E. (Djibouti). | Somali Republic. | — | Nil. | 1,029.61 | |
| 26. | Jose Trujillo Zafra E-Hijos Avenida. | Conta/ S. R. C. Morocco. | — | Nil. | 1,055.02 | |
| 27. | Kuhne and Nagel Ltd. (Switzerland). | Switzerland. | 27-3-65 | Nil. | 23,613.24 | |
| 28. | National Navigation Co. | Tripoli/ Libya. | 6-8-67 | Nil. | 26,975.98 | |
| 29. | National Shipping Agency. | Port Sudan/ Sudan. | 27-4-66 | Nil. | 2,396.65 | |
| 30. | William and Co. Ltd. Recife. | Brazil | — | Nil. | 218.27 | |
| 31. | East African Commercial and Shipping Co. Ltd. | Mombassa/ Kenya. | — | 9,51,226.82 | Nil. | |
| 32. | King and Sons (Mozambique) LDA. | La-Maruges Mozambique. | 1-4-71 | Nil. | 1,456.67 | |
| 33. | Ireland Frager and Co. Ltd. | Port Louis/ Mauritius. | — | 1,921.13 | Nil. | |
| 34. | Marbar | Casablanca Morocco. | 13-4-70 | 36,397.25 | Nil. | |
| 35. | Mahe Shipping Co. Ltd. | Mahe/ Seychelles. | — | 64,397.25 | Nil. | |
| 36. | Scanship (Ghana) Accra. | Accra/ Ghana. | — | Nil. | 5,602.07 | |
| 37. | Alramic (Nigeria) Ltd. | Lagos/ Nigeria. | — | Nil. | 60,141.22 | |
| 38. | King and Co. Durhan | Durhan/ S. Africa. | — | Nil. | 817.11 | |
| 39. | Zanzibar State Trading Corpn. | Zanzibar/ Tanzania. | — | 38,617.36 | Nil. | |
| 40. | King and Sons (Mozambique) LDA. | Beira/ Mozambique. | — | Nil. | 1,067.22 | |
| 41. | National Shipping Agencies Co. Ltd. | Darressalam Tanzania. | — | Nil. | 3,10,374.54 | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|-----|---|-------------------------------|----------|-------------|-------------|---|
| 42. | E.I. Menca Shipping Agency. | Port Said/ U.A.R. | 1-10-65 | Nil. | 9,29,121.86 | |
| 43. | Cos. Bensando, Azores. | Azores. | — | 4,606.66 | Nil. | |
| 44. | Sociadade Commercial | Bissau/ Guinea Bissau. | — | 54,364.20 | Nil. | |
| 45. | Sicopao Cameroun Douala. | Douala/ Cameroun. | — | 83,400.00 | Nil. | |
| 46. | Abdul Hamid El Fil and Co. | Berirut/ Lebanon. | | Nil. | 298.88 | |
| 47. | Al-Majid Shipping Agencies. | Kuwait. | 12-3-69 | Nil. | 6,14,420.19 | |
| 48. | Arabian Establishment for Trade. | Jeddah/ S. Arabia. | 3-8-70 | Nil. | 11,698.21 | |
| 49. | Bhacker Haji Abdul Latif Fazal. | Muscat/ Sultanate of Oman. | 13-2-69 | 36,546.87 | Nil. | |
| 50. | Cerrahogullari Umumi Nakliyat. | Istanbul/ Turkey. | 27-11-65 | 6,76,350.66 | Nil. | |
| 51. | Union Senegalaise D' Industries. | Dakar/ Senegal. | — | 1,285.44 | Nil. | |
| 52. | National Shipping Agency. | Bahrain. | 12-3-69 | Nil. | 2,06,983.43 | |
| 53. | Orient Shipping Co. Ltd. | Amman/ Jordan. | 19-6-67 | Nil. | 24,790.07 | |
| 54. | Qatar National Navigation Transport Co. | Doha/ Qatar. | — | Nil. | 1,31,383.64 | |
| 55. | Rais Hussain Saadi and Co. | Dubai/ U.A.E. | 12-3-69 | Nil. | 48,882.30 | |
| 56. | South East Asia Shipping Agencies. | Dammam/ S. Arabia. | 17-7-70 | Nil. | 17,281.86 | |
| 57. | United Commercial Co. (Iran) Ltd. | Khoram/ Shehr/Iran. | — | Nil. | 15,466.50 | |
| 58. | National Shipping Co. | Aden. | 1-4-72 | Nil. | 68,989.75 | |
| 59. | Gulf Agency Co. .. | Rastanura/ S. Arabia | — | 2,324.06 | Nil. | |
| 60. | Gulf Agency Co. .. | Abdudhabi | — | Nil. | 6,682.27 | |
| 61. | Ceylon Shipping Corp. | Colombo/ Ceylon. | 17-5-72 | 6,75,314.67 | Nil. | |
| 62. | Moghal Line .. | Bombay/ India. | 31-3-75 | 1,95,615.01 | Nil. | |
| 63. | Iraqi Maritime Transport Co. Ltd. | Basra/ Iraq. | 3-6-69 | Nil. | 12,043.53 | |
| 64. | Eastern Maritime (Private) Ltd. | Singapore. | 15-2-69 | 8,76,459.14 | Nil. | |

| 1- | 2 | 3 | 4 | 5 | 6 | 7 |
|-----|--------------------------------------|--------------------------|----------|--------------|-------------|---|
| 65. | P.T.T. Gesuri Lloyd. | Djakarta/ Indonesia. | 20-7-69 | 5,340.93 | Nil. | |
| 66. | Hong Kong Eastern Maritime Ltd. | Hong Kong | 1-10-70 | 9,77,395.76 | Nil. | |
| 67. | Korea Foreign Transport Corp. | North Korea. | 23-7-69 | 24,93,897.65 | Nil. | |
| 68. | Ocean Shipping Agency of D.P.R.K. | North Korea. | — | 8,180.56 | Nil. | |
| 69. | Wallern Phillipines Shipping Inc. | Mainila/ Phillipines. | — | — | 1.40 | |
| 70. | San A. Shipping Co. Ltd. | Korea South. | — | 2,04,682.70 | Nil. | |
| 71. | P.T. Indonesian Oriental Inc. | Medan/ Indonesia. | 7-8-74 | 2,652.08 | Nil. | |
| 72. | Phinich and Sons Co. Ltd. | Bangkok/ Thailand. | Nov. 74 | 7,94,470.75 | Nil. | |
| 73. | Trans Maridian Navigation Co. | Tokyo/ Japan. | 25-12-75 | Nil. | 67,810.94 | |
| 74. | China National Chartering Corp. | Peking/ China. | Jan. 68 | Nil. | 14,737.25 | |
| 75. | China Ocean Shipping Agency. | Dairen/ China. | Jan.68 | Nil. | 6,50,368.85 | |
| 76. | China Ocean Ship- ping Agency. | Shangai/ China. | Jan. 68 | 1,70,287.31 | Nil. | |
| 77. | China Ocean Ship- ping Agency. | Trientsin/ China. | Jan. 68 | 6,367.79 | Nil. | |
| 78. | China Ocean Ship- ping Agency. | Tsingtao/ China. | Jan. 68 | 41,688.57 | Nil. | |