

**REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON
MINISTRY OF FOOD AND
AGRICULTURE
(1981-82 & 1982-83)**

1. INTRODUCTION

1.1. Appropriation Accounts of the Ministry of Food and Agriculture for the year 1981-82 were examined by the *Ad hoc* Public Accounts Committee on 9th January, 1985. The Committee was however not able to finalize its' examination, when it was dissolved. The remaining Accounts of the Ministry of Food and Agriculture for the year 1981-82, the accounts for the year 1982-83, and the report of the Auditor-General of Pakistan on these accounts were examined on 25th March, 1986 and 1st, 3rd and 7th September, 1986 by the Standing Committee of the National Assembly on Public Accounts.

1.2. The results of the examination of these accounts are summarized in four chapters, namely :—

- Procurement of Import Wheat and Fertilizers.
- Handling and despatches at Port.
- Roti Corporation of Pakistan.
- Specific Irregularities.

The views of the Committee regarding regularization of Grant wise expenditure of the Ministry of Food and Agriculture shall however be discussed in the Report of the Committee on the Ministry of Finance for the above years, which will be laid in the Assembly separately.

1.3 The minutes of the proceedings of the Committee pertaining to the Ministry of Food and Agriculture, have been appended to the report as Annexure I.

1.4. The Committee would like to place on record its appreciation for the valuable help rendered by Mr. Riyaz H. Bukhari, Auditor-General of Pakistan Mr. M.A. Haq, former Secretary National Assembly, Mr. A.A. Zaidi, Deputy Auditor-General of Pakistan and Mr. Idrees Ahmad, former D.A.I.S. & F. and their officers and staff and the officers and staff of Ministry of Food and Agriculture in enabling the Committee to get through this work.

2. PROCUREMENT OF IMPORTED WHEAT AND FERTILIZER

2.1. The Ministry of Food and Agriculture arranged purchase and shipment of imported wheat and fertilizer during seventies, on a substantially large scale, both against cash and foreign loans resources, to meet the continued shortage at home. The major part of the imports were arranged through Pakistan Embassy at Washington, which has a permanent representative from Ministry of Food and Agriculture, known as food and Agriculture Counsellor. All the contracts for purchase and shipment are to be placed by the Food and Agriculture Counsellor (FAC), on the recommendations of a purchase and Procurement Committee, comprising Embassy officials duly approved by the Ambassador.

2.2. The Committee wanted to study the whole system, as to how requirements of imports were being determined and reviewed to avoid any misuse or waste of foreign exchange resources and what precautionary measures have been taken to meet an unforeseen and unpredictable demand and how far the system evolved was viable. The Committee however, could not undertake the study, as it wanted to wipeout the arrears of four years accounts as soon as possible.

2.3. The apprehensions of the Committee about the adequacy of such a system were however substantiated, when the country faced a fertilizer crisis in 1986-87, although it had exported

it's surplus fertilizer only a year back. The Committee would therefore like to have an indepth review of the existing system of "evaluation of demand and supply of food-stuffs and agricultural inputs" to see that it had been developed on right lines and was giving reliable results. The Committee would like the Planning and Development Division to carry out this study. The Planning and Development Division while carrying out the study should also examine as to how this system in forecasting the requirements of fertilizer during 1986-87.

2.4. The Committee, while examining the report of the Auditor-General, came across a number of deficiencies in procurement and shipment of imported wheat and fertilizer. The brief particulars of these cases are discussed below :—

(Para 22 — AR, 1981-82)

2.5. *Loss of U.S. \$ 1,634,941 (Rs. 16.2 million) in shipment of Wheat.*—In 1977-78, the failure of wheat crop in the country necessitated immediate import of wheat from USA against country's own foreign exchange resources. The Ministry of Food and Agriculture accordingly directed the Pakistan Embassy, Washington in December, 1977 to procure and ship two lac tons of wheat on priority basis. The Pakistan Embassy Washington accordingly floated tenders on 4th January, 1978. However before finalizing the deal, the Ministry of Food and Agriculture directed the Embassy that in view of the urgency "spot vessels" should be fixed by negotiations without regard to financial implications and even by ignoring lowest competitive rates. The Purchase and Procurement Committee of the Embassy, therefore, resorted to negotiate with ship brokers to offer "spot vessels" with surety to reach Karachi at the latest by middle of February, 1978. No spot vessels could however, be made available except the following two which could reach Karachi in the 3rd and 4th week of February, 1978 :—

'VANNESSA'	55000 Tons @ \$ 17.06
'BERGEBOND'	85000 Tons @ \$ 17.60

M/s. Charrier, McAteer and Fattig, a shipping firm offered transportation of entire quantity of two lac tons — \$ 14.95 per M. Ton.

2.6. The Ministry of Food and Agriculture, however, instructed the Embassy on 4th January, 1978 that no vessels other than those belonging to M/s. Unimarine should be fixed. (Although the decision was apparently in contradiction with the immediate requirements of wheat in the country).

The Pakistan Embassy at Washington thus arranged shipment of the consignment as under:—

<i>Name of ship</i>	<i>Quantity</i>	<i>Rate</i>	<i>Amount</i>	<i>Date of delivery</i>
Patrica	25,868.82	\$ 20.50	530,310.81	25-2-1978
Valcheun	35,179.035	\$ 17.60	619,151.02	27-2-1978
Alkaios	17,806.500	\$ 26.00	462,969.00	03-3-1978
Berg Bond	79,843.640	\$ 17.60	1,405,247.96	11-3-1978
Strategist	49,123.040	\$ 17.06	838,039.30	14-3-1978
	207,820.54		3,855,718.09	

(The first four vessels belonged to M/s. Unimarine and the 5th was arranged through other shippers through negotiations as M/s. Unimarine were not able to provide another vessel in the required ship lay days.)

2.7. On the basis of rate offered by M/s. Charrier, McAteer and Fattig, the freight cost for the entire quantity would have been U.S. \$ 3,106,917.09. Thus an excess amount of U.S. \$ 784,414 were paid for the shipment of the consignment.

2.8. On 16-1-1978, according to a telephonic message from Secretary, Food and Agriculture which had been recorded by the

Embassy, it was directed that all orders for shipment should be placed on M/s. Unimarine who should be paid \$ 24 per M. Ton for spot vessels for shipment in January, 1978 and for the post January shipment the rate should be paid at U.S. \$ 17.60 per M. Ton assuming this to be the lowest rate. It was per chance that M/s. Unimarine could not supply spot vessels for January shipment and a probable loss of US \$ 1.4 million was avoided. As regards fixing the rate of \$ 17.60, the Embassy intervened *vide* their message of 17-1-1978, pointing out that the lowest rate as per tenders invited on 4-1-1978 was \$ 17.06 and not \$ 17.60 and thus excess payment of \$ 0.54 per M. Ton was also avoided.

2.9. M/s. Unimarine transported a total quantity of 462,000 M. Tons @ U.S. \$ 17.06 per M. Ton as per Ministry's record, during February to October, 1978. If the quantity of wheat transported at \$ 17.06 through M.V. Strategist (49,123 MT) out of the first consignment is excluded, the net quantity transported at the above rate after first consignment comes to 412,877 M. Tons. If the offered rate of U.S. \$ 14.95 is taken as the base rate, the excess payment on this account was U.S. \$ 871,170. The total overpayment thus involved was U.S. \$ 1,655,584.

2.10. The Secretary, Ministry of Food and Agriculture while defending the case before the PAC stated that in the meeting of the Council of Advisors to the CMLA held on 14-1-1978 it was decided that: "pending the formal setting up of a Bulk Shipping Corporation, all bulk imports of wheat from USA during the current wheat season (first half of 1978) should be handled by the foreign partners (M/s. Unimarine) in this Corporation except those which have to be carried in US Flag vessels under PL-480. In accordance with this decision, the then Secretary General Finance and Economic Coordination, the Secretary General in Chief, had instructed Secretary, Ministry of Food and Agriculture that without prejudice to the commitments already made, all orders for shipment of wheat from USA to Pakistan would be placed on M/s. Unimarine. In January, 1978 Pakistan Embassy in Washington floated tenders for shipment of wheat and lowest freight rate was

US \$ 17.06 per M. Ton. As such it was agreed that shipment of wheat through M/s. Unimarine would be at freight rate of US \$ 17.06 per M. Ton. Subsequently M/s. Unimarine demanded a freight of \$ 17.60 per M. Ton. The matter was submitted to Economic Coordination Committee of the Cabinet who in its meeting held on 14-2-1978 decided that the freight rate of US \$ 17.06 per M. Ton should be adhered to."

2.11. The PAC asked the N.A. Sectt. to procure, if possible the minutes of the meeting of the Council of the Advisors to the CMLA held on 14-1-1978, alongwith the list of the participants of the meeting. The Committee also asked the N.A. Sectt. to take up with the Justice Division, if the Committee could "request the Members of the then Advisory Council of the CMLA to appear before it and explain the justification of aforesaid decision. The above course of action was taken as the Committee was of the considered view that such a decision which resulted in a huge loss of US \$ 1,655,584 in foreign exchange to the Government exchequer could not have been taken without the manipulation of the owners of M/s. Unimarine and their political bosses.

The Committee also addressed a Press Conference in September, 1986 in which the Committee reviewed its findings in very general terms. On a specific query this case was raised by a newspaper reporter, members of the Committee explained the main features of the case, as far as they recollect the facts from their memory.

2.12. On 25th September, 1986 Mr. Mustafa Gokal a former Advisor on Shipping to the CMLA, issued a Press Statement stating that in a press report it has been alleged by the Chairman of the PAC of the National Assembly of Pakistan that the Government of Pakistan was made to suffer huge losses by awarding a contract to M/s. Unimarine, was not only baseless and without foundations but also malicious and amounted to an attempt to damage/injure/malign his international business interests beside his person. He in his clarification, then mixed up a

case of import of 500,000 tons of wheat from Australia, in which the shippers were M/s. Gulf Shipping Lines Limited (another concern of Mr. Mustafa Gokal) and not the Unimarine. What Mr. Gokal conveniently forgot was the import of wheat during the same period from United States as a Sole Shipper under the garb of M/s. Unimarine.

2.13. The Chairman PAC on the same day clarified the position through Press and stated :

“I may reiterate that PAC is not at all concerned with the individuals and their personally motivated actions.. However any action of such individuals which resulted in loss to Government and Public exchequer, comes within the purview of the examination by the Committee which invariably orders enquiries in certain areas and formulates its final recommendations which are placed before the National Assembly”.

The Chairman PAC in his statement however, made it clear that “no individual however highly placed in the bureaucratic set up, or having any international influence in his business activities and even a tycoon in any field, has any immunity from accountability. It was the considered opinion of the Committee that the lack of accountability was the main cause of the sorry state of affairs in this country and unless all concerned are made accountable for their actions and deeds, there would hardly be any improvement in the management of national affairs. The accountability is enforced only from the top and not otherwise.”

2.14. In response to the National Assembly's reference to the Justice Division, at the instance of the Committee, the Cabinet Division clarified on 11-12-1986 that the relevant rules on the subject do not provide for giving the required information. The chapter was thus treated as closed, as Committee did not intend to make it a point of prestige.

The Committee was, therefore, not able to examine all the facts and the records including the members of the Advisory Council of CMLA in this particular case.

2.15. Further investigations made by the Committee revealed that the Council of Advisors of CMLA had taken the following decisions in this regard in their meeting held on 14th January, 1978 :—

- (a) A Bulk Cargo Shipping Corporation should be established with 51% Government Shares and 49% shares of foreign partners including M/s. Gokal Shipping Company;
- (b) Pending formal setting up of the Corporation, all bulk imports of wheat from USA should be handled by the foreign partners in the Corporation;
- (c) The freight rate should be based on the on-spot and non-spot rates paid by the Government in the most recent past;
- (d) The Advisor to CMLA (Shipping) *i.e.*, Mr. Mustafa Gokal shall prepare a blue print of the proposed Corporation for approval of the Council, and
- (e) Till such time the Corporation is formally set up, the accounts of the receipts and expenditure should be kept separately and the profit between the Government of Pakistan and Foreign partners be divided in the ratio of 51% and 49% in accordance with the equity ratio of the two parties in the proposed Corproation.

2.16. How the above mentioned decision was arrived at in the Council of Advisors to CMLA, has remained a secret till today, but one thing is very much evident, that Mr. Mustafa Gokal the then Advisor on shipping to CMLA was the man behind the gun. The Committee has not been able to reconcile as to how such a naked favour was extended by the Council of Advisors to one of its members and how far it was in the overall national interests. The Cabinet Division's refusal to produce the relevant record of the proceedings has made the Committee's job more difficult. The

Committee has examined this issue and has reached the conclusion that to promote accountability in the country, no information, document or proceeding should be classified as secret atleast for the Committees of the Legislature. Information about the decisions taken by the Executive Agencies from top to the bottom and the basis on which these decisions have been taken are in a trust with the Government and the elected representative of the people should have a right to examine the relevant documents and cross examine the concerned executive authorities about the rationale of the decisions. To promote accountability, it is a pre-requisite that the elected representative of the people should have access to the record and the officials to identify between a bad decision and a decision taken with bad motives.

2.17. An important aspect of the case is that the decision of the Council of Advisors was implemented only to the extent it benefitted the then shipping Advisor to the CMLA, as the entire wheat cargo from USA was lifted through M/s. Unimarinc, a sister concern of M/s. Gokal Shipping Company at a predetermined freight rate without any competition and without even entering into a formal agreement between the two parties, specifying the terms and conditions of joint venture as stipulated in the decision of the Council of Advisors. It was surprising to note that even an informal communication between the two agencies was not available on record. It was, however, satisfying to note that this issue was persistently agitated by the then Food and Agriculture counsellor in Washington, Mr. Abdullah J. Memon, a young officer who was duly "rewarded" for this by his transfer back to Pakistan before completion of his tenure.

2.18. The Committee has not examined the record as to how it happened and who were the officials responsible for non-implementation of the decision and what defence they had, for not doing so as it was a purely executive function. The Committee, however, recommends that these aspects should be examined and the officials found responsible for this act of omission/commission should be taken to task.

2.19. Another aspect of this case is that while the decision was taken on 14th January, 1978 by the Council of Advisors to the CMLA, the Administrative Ministry had already started implementing it even before the formal approval. Whether the Administrative Ministry was competent to do so or it had the blessings of its political bosses is another question that needs to be examined in the case, by the Government.

2.20. The most frustrating aspect of the case, however, was that the then Secretary, Food and Agriculture did not disclose the full facts of the case when he appeared before the PAC, although the transactions had taken place much before his taking up this assignment. Was he not fully briefed by his aids or did he intentionally tried to protect his comrades in arms. The Committee feels that such an attitude on behalf of a Principal Accounting Officer was not justified and in the best interest of accountability.

(Para 12-AR, 1981-82)

2.21. *Loss of Rs. 4.96 million for irregular cancellation of contract and overpayment of demurrage.*—A contract was placed on 9-4-1978 for import-of 50,000 M. Tons of Urea at U.S. \$ 150 per M. Ton (excluding interest charges U.S. \$ 14.65 per ton). An irrevokable and confirmed letter of Credit was opened through a London Bank but the firm tried to wriggle out of the contract. When the Department tried to encash the bank guarantees, the Suppliers went into a Court of Law and obtained an injunction against encashment of the guarantees. Resultantly a fresh contract was signed with the same firm at U.S. \$ 156 M. Ton (excluding interest). As a result, an extra expenditure of Rs. 3 million was incurred. Besides, the rate of demurrage was provided in the new contract as U.S. \$ 4,000 against U.S. \$ 2,200 in the cancelled contract, although the Chartered Party Agreement provided for a rate of U.S. \$ 2,200 per day. The owner of the vessel subsequently claimed the demurrage at U.S. \$ 4,000 per day on the plea that the provisions of U.S. \$ 2,200 in the Chartered party Agreement was a typographical error. The claim was not considered acceptable and

the vessel owner invoked the arbitration clause and nominated their own counsel as arbitrator. The Ministry of Food and Agriculture failed to nominate any arbitrator and as such the counsel of the other party became the sole arbitrator and gave the award in favour of the shipowners on the basis of equity instead of legality. The extra demurrage charges paid on the above amount were Rs. 1.899 million.

2.22. The case was examined by the PAC on 25-3-1986 and following directives were issued:—

- (a) The responsibility for the loss should be fixed and names of those responsible should be intimated with full details;
- (b) Names of the members of the Tender Committee should also be intimated; and
- (c) Secretary, Food & Agriculture should submit a complete report on the case.

2.23. The Ministry of Food and Agriculture submitted a detailed report on 10-7-1986. As per report of the Ministry of Food and Agriculture, the findings of the case were as under:—

- Tenders for purchase of 50,000 M. Tons Urea fertilizer were floated on 12-1-1978,
- Nine (9) offers were received and the offer of M/s. Transocean Asia Limited as U.S. \$ 150 per M. Ton and interest charges of U.S. \$ 14.65 per M. Ton for one year's credit, which was the lowest, was accepted.
- The contract was signed with the above firm on 9-4-1978.
- The L.C. could not be established in time due to delay in issuance of instructions by Finance Division to State Bank of Pakistan.
- The Suppliers requested for certain amendments in L.C. which were not acceptable to State Bank of Pakistan and the Muslim Commercial Bank.

- The Tender Committee thus decided on 17-8-1978 to cancel the contract at the risk and cost of the Supplier when the negotiations for readjustments in terms and conditions of contract failed.
- Subsequently M/s. Transocean Asia came up with another offer to supply the above quantity at U.S. \$ 156.50 per M. Ton against cash payment. The Tender Committee on 2-9-1978 accepted the offer and decided to cancel the earlier contract of 9-4-1978 without any obligations on any of the party.
- The decision of the Tender Committee was based on following consideration:—
 - (a) The rates of fertilizer had moved upwards around U.S. \$ 170 per M. Ton in the World Market; and
 - (b) The rejection of the offer would have meant to go into litigation with the suppliers and purchase the fertilizer at the current prices.
- The Ministry felt that the contract had to be cancelled due to failure of the Muslim Commercial Bank to get the L.C. confirmed by a Prime Bank of London. Apparently the Supplier was not at fault and the Government had no grounds to penalize the party for non-fulfilment of their contractual obligations.

2.24. As regards the overpayment of demurrage charges, the findings of the Ministry of Food and Agriculture were as under:—

- In the cancelled contract, the demurrage rate was stated as U.S. \$ 2,200 per day and in the new contract it was provided as U.S. \$ 4,000 per day.
- The decision to increase the rate of demurrage was taken by the Tender Committee in their meeting held on 2-9-1978.

- In the Charter Party Agreement submitted by the Suppliers, the rate of demurrage was mentioned as U.S. \$ 2,200 per day. The owners of the vessel, however, approached by Ministry to accept their claim of demurrage at U.S. \$ 4,000 per M. Ton per day on the plea that the lower rate was provided due to a typographical error.
- Justice Division advised the Ministry of Food and Agriculture that the enhanced claim at U.S. \$ 4,000 had no legal basis.
- The chronological progress in respect of notice served by the aggrieved party was as under:—
 - 04-02-1980 Notice served by the Suppliers on FDFI Karachi to appoint their arbitrator within 7 clear days.
 - 15-02-1980 Copy of the notice received in the Ministry of Food and Agriculture.
 - 28-02-1980 Reference made to the Justice Division for nomination of an arbitrator.
 - 09-03-1980 Justice Division returned the case suggesting that the Ministry should nominate a person as an arbitrator.
 - 10-03-1980 The case was referred back to Justice Division for nominating the arbitrator.
 - 26-03-1980 The Justice Division again asked the Administrative Ministry to nominate a suitable arbitrator as they did not keep a list of such persons in other countries.

While the case was shuttling between the Justice Division and the Administrative Ministry, the notice period expired and the sole Arbitrator gave award in favour of the other party.

2.25. The PAC re-examined the case on 7-9-1986 and felt that the report submitted by the Secretary, Food and Agriculture was not satisfactory. The Auditor-General raised the following issues in this regard:—

- (a) The conclusion drawn by the Ministry in their reply submitted to the PAC do not appear to be in line with the views of Tender Committee as recorded on 17-8-1978 which read as under:—

“Although the contract did not contemplate re-confirmation of letter of credit from a Foreign Bank but the party insisted on this reconfirmation and the Ministry tried to help the party but the reconfirmation in the fulfilment of the contract”.

- (b) The event which ultimately led to the cancellation of the contract have not been analysed in detail. As a result the following questions have remained unanswered:—
- (i) What were the contractual obligations on the part of the Government in opening of a letter of credit?
 - (ii) Whether these obligations were met timely and adequately?
 - (iii) What was the nature of amendment asked for by the supplier? What material benefit was likely to be achieved through these amendments?
 - (iv) Were the proposed amendments in letter of credit within the frame work of the contract or beyond it?
 - (v) Were they not part of a considered move to wriggle out of contract?
 - (vi) Why the State Bank of Pakistan refused to agree to the amended provisions in L.C.?
 - (vii) Why Muslim Commercial Bank declined to make amendment in the provisions of L.C.?

- (viii) If both the supplier and the buyer were not at fault, the only other agency involved was the Muslim Commercial Bank which as per Investigation Report failed to get the L.C. confirmed by a prime bank in London. What action was taken by the Minister to recover the loss from the Bankers?
- (c) It has been stated that L.C. could not be established in time due to delay in the issuance of instructions by the Finance Division, but the reasons for delay have not been identified. The position therefore needs to be elucidated.
- (d) The report does not indicate as to what was the time period available for nominating the arbitrator and why the issue could not be decided by consultation at top level, with the Justice Division. There seems to be a clear cut lapse on the part of the Ministry of Food and Agriculture on this account.
- (e) The supplier supplied exactly the same fertilizer which he had already procured against the previous contract as is evident from the fact that the bags had been marked with the said contract number and date. This indicates that the suppliers action to perform the previous contract (including the chartering of vessel) was already completed. As such the provision of \$ 2,200 per day as demurrage was rightly written in the charter and was not a typographical error or a clerical omission.

2.26. The matter was discussed in detail and the Secretary, Ministry of Food and Agriculture accepted that it was a bad case in which the Ministry's officials did not pursue the case on the right lines.

The Committee after detailed discussions concluded that there was no doubt that the Ministry of Food and Agriculture failed to appoint an arbitrator in this case within the required time.

which resulted in a loss of Rs. 1.899 million and recommended that the responsibility for the above loss should immediately be fixed. As regards the cancellation of the contract, the Committee desired that the members of the tenders Committee be asked to appear before it, in the next meeting, to explain the basis of their decisions, before a final recommendation is made.

[Para 21 (3)(i)-AR 1981-82]

2.27. *Loss of Rs. 1.158 million due to defective tendering.*—Tenders for purchase and shipment of 65,000 M. Tons Wheat were floated on 28-5-1975 with a notice period of 4 days. M/s. Louis Drefers offered a parcel of 25,000 M. Ton of wheat at U.S. \$ 116.75 per M. Ton, but they withdrew the offer verbally on the plea that they could not guarantee to load the vessel by the prescribed date *i.e.* 29th June. The Wheat was, therefore, purchased from another supplier *i.e.* M/s. Bungi Corporation at a higher rate who also failed to observe the target date of shipment. The Government thus lost a sum of Rs. 1.158 million in the deal.

2.28. The Ministry in reply stated that an agreement between Government of Pakistan and USA was signed on 27-5-1975 for allocation of 65,000 M. Tons of Wheat for the year ending 30th June, 1975. The tenders were, therefore, invited on a very short notice. The offers showed that cheapest Wheat was available from U.S. Gulf. M/s. Louis Drefers who were the lowest bidder for 25,000 M. Tons subsequently informed that they would not guarantee to load the vessel by the prescribed date. No penalty could be imposed as in case of procurement under U.S. PL-480 programme, no earnest money alongwith tenders is taken and performance bonds only are obtained from successful bidders to ensure loading of cargo within stipulated time. Under the circumstances 40,000 M. Tons of wheat was purchased from the other suppliers at relatively higher cost for which ship was available and the remaining quantity of 25,000 M. Tons was purchased from the west coast from M/s. Louis Drefers who were the lowest bidders on that coast. There was a delay in loading of 15,000 M. Tons by the

3rd supplier due to congestion at loading port for which extension was sought from USDA, which was granted.

2.29. Further investigations in the matter revealed that M/s. Louis Drefers who were the lowest bidders from the Gulf also, had withdrawn their offer verbally as per remarks on the comparative statement. The written offer of the suppliers was also not available in Embassy's record which probably meant that even the offer was made by them verbally. In any case the Purchase and Procurement Committee could not do much as had the supplier been interested in the supply of 25,000 M. Tons of Wheat from the Gulf, he could always seek the intervention of U.S. Government. If the supplier was not interested he could always back out from the offer as the offers under U.S. Loan Regulations are not backed by guarantees. Besides, there was hardly any time for retendering due to compulsions of loans authorization.

2.30. The Committee after examination of the case was of the view that the basic deficiency in this case, too, was the delayed execution of loan documents, which, no doubt, quite a delicate issue but can be overcome substantially by better planning and monitoring. The para was, therefore, settled.

Loss of U.S. \$ 177,156

[Para 21(5)-AR 1981-82]

2.31. *Transportation of Wheat from Argentina.*—11,000 tons of Wheat was offered by Argentina as grant in April, 1978. The Pakistan Embassy Washington was asked on 28-11-1978 to arrange transportation of 9,000 tons Wheat from Argentina before 31-12-1978. Tenders for transportation were invited on 4-12-1978 and lowest rate of \$ 53.24 per M. Ton offered by M/s. Unimarine was accepted which was also approved by Ministry of Food and Agriculture on 5-12-1978. After the contract had been concluded with M/s. Unimarine on 6-12-1978, the Ministry of Food and Agriculture on 12-12-1978 declined to accept the rate on the ground that the vessel was earlier available at \$ 40.00 per M. Ton and that

they were trying to get one for maximum \$ 30.00 which would be available during January and that Argentina Government had extended the date for lifting Wheat to 31-3-1979. Since the vessel was already fixed, M/s. Unimarine did not agree to withdraw and demanded damages in case their vessel was not fixed. They, however, agreed to reduce the rate by 10% viz. from \$ 53.24 to \$ 47.92. The transaction thus resulted in a loss of US \$ 177,156.

2.32. M/s. Unimarine subsequently asked permission to substitute the vessel which could be treated as a basis for cancellation of the contract. Pakistan Embassy Washington, however, did not cancel the Charter party Agreement. The decision was taken in consultation with the Attorney.

The Ministry of Food and Agriculture while agreeing with the facts of the case, stated that responsibility for the loss could be fixed in this case after a thorough enquiry which is difficult at this belated stage.

2.33. The matter was investigated and it was found that no record of consultation with Attorney was available in Pakistan Embassy, Washington. It therefore, could not be ascertained as to on what parameters the advice was sought and what advice had actually been offered. Seeking verbal advice from the Attorney was, however, not an unusual practice in Pakistan Embassy, Washington. Another aspect of the problem was that in case substitution of ship had been disallowed on the grounds of unfavourable price, the owner of the vessel could have gone into arbitration creating new problems for the Administration.

2.34. The Public Accounts Committee was, therefore, of the view that the main deficiency in this case was that the Pakistan Embassy Washington was not initially put into the picture about the prevailing freight rates and the entire loss occurred due to ineffective communication between the Ministry of Food and Agriculture and Pakistan Embassy Washington. The Committee,

therefore, expressed their displeasure to the Secretary, Ministry of Food and Agriculture.

[Para 21(19)-AR 1981-82]

2.35. *Loss of Rs. 19.6 million due to defective planning in tendering.*—In 1974, 210,000 tons Wheat was purchased from USA. The tenders for procurement and shipment were floated at 24 hours notice. The lowest bid for transportation was U.S. \$ 34 per M. Ton which was accepted although in subsequent tenders the rate of shipment ranged between U.S. \$ 14 to 18 per metric ton. Thus Rs. 19.602 million were spent in excess due to defective planning in tendering.

The Ministry of Food and Agriculture defended the transaction on the grounds that the tender enquiries with 24 hours validity were floated by embassy at the instance of Secretary General Finance and the freight rate was approved by the Ambassador on the recommendation of Purchase and Chartering Committee.

2.36. Further investigations made into the case revealed that the Food and Agriculture Counsellor at Washington range up the Ministry to say that Wheat prices in USA were at that time at lowest ebb and it could be possible to purchase Wheat at U.S. \$ 140 per ton FOB. The Embassy was then authorized on 8-5-1974 to purchase 2 lac tons Wheat for shipment during July to September, 1974 through tender enquiry with 24 hours validity at appropriate time when prices were expected to be lowest. The above decision was based on the discussions between Secretary Food and Agriculture, Special Assistant to the President (Agriculture) and Secretary General Finance.

2.37. The Ministry while not disputing with the facts of the case, stated that freight and supply tenders were floated simultaneously to obtain competitive rate. The Wheat in this particular transaction was offered at U.S. \$ 128 per ton to U.S. \$ 130 per

ton and the lowest freight offer was U.S. \$ 34 per ton. The Ministry thus maintained that the loss calculated by Audit was only hypothetical because Wheat and freight markets fluctuate widely. According to them, the decision for short notice for tendering was successful.

2.38. Although the relevant documents could not be located by Pakistan Embassy in Washington and Ministry of Food and Agriculture, an important aspect of the whole transaction was that the basic criterion in this case should have been the lowest price on C&F Karachi basis and not on FOB basis. The very fact that the ships were hired on "on-the-spot basis", makes it clear that a little manipulation and foresight by Pakistan Embassy Officials at Washington could have resulted in more economical bargain.

2.39. The contention of the Ministry that the decision to float tenders with 24 hours validity was made at the instance of Secretary General Finance and implying therewith that it could not be re-opened, was not reasonable as the Ambassador and the Food and Agriculture Counsellor at whose instance the decision was made and who had more intimate knowledge of U.S. market could always approach the Ministry with alternate suggestions.

2.40. The Committee, therefore, felt that it was a case in which Food and Agriculture Counsellor at Washington should have behaved more prudently and should have examined the available alternatives for more economical purchases before implementing the decision. The very purpose of placing a Food Counsellor at Washington and spending a substantial amount on this establishment was that he should have the expertise and intimate knowledge of U.S. market to facilitate better decision making. The Committee felt that it was here that the Food and Agriculture Counsellor failed to rise to the occasion.

(Para 4-AR 1982-83)

2.41. *Loss of U.S. \$ 5.58 million in purchase and shipment of Wheat.*—On 9th December, 1974, tenders for purchase and shipment of one lac tons of Wheat were floated on a day's notice against a loan authorization of U.S. \$ 18 million issued on 23-11-1974. Since the tenders were given only a day's notice, the suppliers and shippers quoted higher rates which were accepted. Consequently the foreign Government also objected to the higher rates of shipping and one of the shippers reduced his rates from 30 per M. Ton to \$ 18.30 per M. Ton. The transaction resulted in loss of \$ 5.58 million as compared with the rates of subsequent tenders called in May, 1975.

2.42. In reply to the observation, the Ministry of Food and Agriculture had stated that as per conditions of the loan, the contract period for purchase of Wheat was between 11-12-1974 to 15-2-1975. Due to the short period available, Wheat and freight tenders were issued without any loss of time to ensure that vessels lay days and wheat delivery schedule meet the arrival plans at Karachi. The comparison of rates with tender rates opened subsequently in 1975 was not tenable as the Wheat prices and freight rates were subject to fluctuation from day to day.

There were two aspects of the case:—

- (i) Calling of tenders on a short notice of 24 hours and,
- (ii) Acceptance of non-U.S. ship 'Marylou' on a negotiated rate of \$ 20 per ton, originally offered by M/s. Star Trading at a rate of \$ 24.62 per M. Ton in place of vessel 'KAPETAN MARCOS' at \$ 23.96 per M. Ton Offered by M/s. International Navigation Corporation.

2.43. As regards the first aspect it cannot be denied that a short notice, which could only fetch on-spot-vessel, can not be accepted as a sound practice. The Embassy however, resorted to

such practice only because there was a short time available for availing the credit. This reflects poor planning on the part of Ministry of Food and Agriculture.

2.44. As regards the second aspect it was admitted by the Chartering and Purchase Committee in their note December, 1974 that this was due to an oversight. Although *prima facie* it appears to be improbable as the comparative statement of vessels prepared for non-U.S. flag vessels, the offer of M/s. International Navigation Corporation for 'Kapetan Marcos' appears at S. No. 3 whereas the offer of M/s. Star Trading and Marine for Mary-Lou appears at S. No. 4. Negotiations, if any, therefore, should have been conducted with the vessels offering the lower rates and not the higher rates. On 12-12-1974, the Ocean Transportation Administration of U.S. Government (USDA) objected to the bypassing of M/s. International Navigation Corporation and withheld approval of both the U.S. & Non-U.S. flag vessels till the matter was sorted out between the Embassy and International Navigation and suggested that both the parties should be allowed another Opportunity to offer bids and the lowest one would be approved by USDA. Accordingly the Economic Minister and Financial Advisor Contacted both the parties on phone while the International Navigation offered the rate of US \$ 19.49 per M. Ton, M/s. Star Trading and Marine offered a rate US \$ 18.30 per M. Ton. USDA approved the lower offer and the contract was placed with M/s. Star Trading and Marine Inc.

2.45. The award of contract to M/s. Star Trading and Marine in this particular case was apparently in national interest, but the way in which it was awarded was not above board. This situation happened because the Ministry of Food and Agriculture had not developed detailed procedures and guidelines for Purchase and Procurement Committee to meet such situations.

2.46. Since, Food and Agriculture Counsellor in the Embassy of Pakistan Washington in those days who was the key person in whole deal has since retired, the Committee was not able

to investigate into the case and decided to settle the para subject to following observations:—

- (a) The Ministry of Food and Agriculture should ensure in future that all loan agreements are finalized in a manner that they give adequate time for procurement, and
- (b) that Ministry of Food and Agriculture should develop specific guideline for Purchase and Procurement Committee Washington Embassy to ensure objective and impartial procurements.

AWARD OF SHIPPING CONTRACTS

2.47 Food and Agriculture Division, Pakistan Embassy, Washington is charged with the responsibility for arranging bulk shipment of wheat, Fertilizer and Soyabean Oil etc. from USA. This is done through open bids from brokers. A review of the shipping contracts awarded by Pakistan Embassy, Washington indicated that upto 1982 the contracts were awarded in the best public interest *i.e.* after fair competition among the shipping firms and business allocated evenly among them, but since July, 1982 almost entire business had been awarded to only one broker M/s. Ned Chartering and Trading Inc, (although the procedure of bidding had not been altered) as evident from following facts:

Soyabean Oil

Total contracts awarded (August, 17, 1982 to July, 1986)	15
Contracts awarded to M/s. Ned Chartering (The 3 contracts awarded to other brokers pertained to June—August, 1983)	12
Shipment carried out by M/s. Ned Chartering in terms of % of total bulk weight during the last 4 years	80.5%

Fertilizer (DAP)

Total contracts awarded (July 1983 to August, 1986)	14
Contracts awarded to M/s. Ned Chartering.	14
Shipment carried out by M/s. Ned Chartering in % terms	100%

Wheat

Complete data could not be compiled by Food and Agriculture Counsellor (FAC) due to time constraint, but he confirmed that position in case of wheat shipment was similar to other procurement contracts.

It was thus a very odd situation that in a competitive market like U.S.A., only one broker was getting the entire business. The Food and Agriculture Counsellor was aware of the situation but failed to give any plausible explanation except that he had been trying to persuade other brokers (although without any success) to compete for the business.

From the aforementioned facts it is evident that tendering procedure had miserably failed to create and maintain competitive buying of shipping services. Only a foolish broker would not dictate his terms, in such a situation.

The tendering documents and their evaluation by FAC and Purchase and Procurement Committee, could not provide any clue to this problem. It was tried to ascertain "other factors" which led to the situation which had deprived the country of competitive shipping prices.

According to informal information obtained, the main reason for this situation was that representative of M/s. Ned Chartering and Trading Inc. happened to be a relative of the Economic Minister in Pakistan Embassy, Washington. Using this position, he was able to establish his credentials in the U.S.A. shipping market as the sole broker who could guarantee business from Pakistan Embassy. He was therefore able to elbow out other prospective competing brokers from the business.

It should also be examined if it would be worthwhile to conduct an impartial enquiry into this case.

3. HANDLING DESPATCHES AT PORT

3.1. The Auditor-General of Pakistan, at the behest of the Ministry of Food and Agriculture, conducted a special audit of accounts of imported wheat and fertilizer received at Karachi port and despatched to different consignees. The Auditor-General after a scrutiny of available record pointed out that wheat valuing Rs. 247.9 million and fertilizer valuing Rs. 44.98 million remained unaccounted for due to shortages and sweepings in a number of consignments. The details of shortages and losses due to sweepings have been included in Chapter 5 "Specific Irregularities" of this Report. Inquiries into these huge losses were not conducted immediately as there was no effective system of monitoring available. They maintained that during certain years there were heavy congestion at the port and as such the commodities were being handled at war footing basis which made it impossible to take corrective measures and to fix responsibility for the losses.

3.2. It was only in 1985 that an officer was appointed as Enquiry Officer who has finalized his findings in a number of cases, a summary of which is given as Annexure II. Enquiries in certain other cases have however, not yet been concluded.

3.3. The enquiry Officer in his report, has concluded that the losses were attributable to mainly three factors :—

- (a) Defective Railway Weightment System
- (b) rains, and
- (c) Handling losses.

3.4. The Committee have examined some of the enquiry reports and was of the view that enquiries were merely an eye wash as it was not possible to investigate the losses in depth as this belated stage. An interesting aspect of the situation was that while the Ministry of Food and Agriculture was attributing a major part of the losses to a faulty railway weightment system, the Provincial Governments were allowing another loss of 1.5% on rebagging of

fertilizer. Thus all the Government agencies were showing losses for apparently contradictory reasons. The Committee has deliberated on this issue in detail and while it had no hesitation to say that all these losses as well as the losses appearing in the books of Provincial Governments on this account were primarily a management failure. It was surprising to note that the top management of Ministry of Food and Agriculture who were so enthusiastic to import by committing the cash as well as the loan resources of the country to the extent that they will not allow their operating agencies a notice of even seven days, never bothered to see whether the wheat and fertilizer so purchased was reaching the consumer safely or a substantial part of it was going down the drain. The story of handling of these two commodities at Karachi port is a story which speaks very low of our bureaucracy and it shows the apathy of Government officials towards the tax-payers hard earned money.

3.5. The Committee is, therefore, of the view that responsibility for these losses lies with the top brass of the Ministry of Food and Agriculture. The Committee does not know whether the top management of the Ministry but it would certainly welcome it if possible.

4. ROTI CORPORATION OF PAKISTAN

4.1. Roti Corporation of Pakistan was established as a Private Limited Company in 1975. A private consultant M/s. MICAS ASSOCIATES were appointed as a turn-key consultant who installed 16 plants, 4 each at Karachi and Lahore, 2 at Faisalabad and 1 each at Hyderabad, Quetta, Bahawalpur, Multan, Islamabad and Peshawar.

4.2. The Corporation was established primarily to supply in-expensive and nutritious 'Roti' baked under modern hygenic conditions to the general public.

4.3. The Corporation had incurred an accumulated loss of Rs. 142.261 million as on 30-6-1986. The losses were accumulating at a rate of Rs. 10 to 13 million per annum.

4.4. The Committee examined the affairs of the Roti Corporation in depth. The representatives of Ministry of Food and Agriculture were of the opinion, that not only the Corporation had failed to achieve its objective, even partially but also there was no likelihood in future of its becoming financially viable. The Committee, therefore, directed that the Corporation should immediately be disinvested and liquidated so that the tax-payers are saved of constant unproductive burden. The Committee directed the Ministry of Food and Agriculture to keep the Committee informed of the progress in this regard.

5. SPECIFIC IRREGULARITIES

5.1 A brief resume of specific irregularities pertaining to Ministry of Food and Agriculture as pointed out by the Auditor-General of Pakistan in his reports on the accounts of the aforesaid years, as well as the directive of the Public Accounts Committee are recorded in the following paragraphs.

APPROPRIATION ACCOUNTS 1981-82

1. *Grant No. 54 Plant Protection Measures.*—The Committee observed that in Grant No. 54 Plan Protection Measures, there was a net saving of Rs. 3.6 million which have not been timely surrendered or re-appropriated and directed that whenever there were large savings under one grant or object, and excesses in others, timely action for reappropriation should be taken. This would require a close month by month monitoring of the expenditure which needed proper manning of Finance and Accounts Sections in each Ministry.

2. *Accounts of Pakistan Agriculture Research Council (PARC).*—The Committee observed that while the PARC had

been constituted under an ordinance in 1980-81, its accounts have not been produced before the Committee and asked the Auditor-General to go into this problem.

3. *Grant No. 58 Livestock Division.*—The Department surrendered a sum of Rs. 120,554 while there was a net excess of Rs. 555,373. The department representative could not satisfy the Committee. The Committee observed that the surrender was not justified and the department should be more careful in future.

4. *Grant No. 150—Development Expenditure of Food and Agriculture Division.*—The Committee was not satisfied with the explanation of the Ministry for excess expenditure of Rs. 5,569,783 under object 513—Pakistan Agriculture Research Council and Rs. 5,930,683 under object Federal Seed Certification Agency and directed that fresh explanation should be furnished for the excesses.

5. *Grant No. 151 Development Expenditure of Livestock Division.*—After examining the expenditure of the Ministry, the Audit comments thereon and the clarification provided by the Principal Accounting Officer, the Committee directed that the reasons for surrendering substantial amounts under different objectives should be furnished to the committee.

6. *Grant No. 181—Capital Outlay on Food Storage and other Works.*—The Committee was not satisfied with the explanation for the net savings of Rs. 6,467,103 under the grant and directed that a note should be given to PAC specifying the cogent reasons for all savings under each object.

AUDIT REPORT (1981-82)

Para 3—AR, 1981-82

7. *Payment of Demurrage Charges—Rs. 110.51 million.*—The Auditor-General pointed out that demurrage charges of Rs. 110.51 million were paid by the Federal Directorate of

Fertilizer Imports (FDFI) on 181 consignments during 1972—79 which reflected improper planning on the part of the executive.

The Department explained that the demurrage charges were paid due to non-availability of berthing space at Karachi Port. The congestion at the port was beyond the control of the Department and as such the expenditure was unavoidable. It was stated that position had changed since 1981 and payment of demurrage charges and considerably reduced.

Para 4—AR, 1981-82

8. *Shortages and Damages in Foodstuff Rs. 194 million.*— As per Audit, 102 consignments of imported wheat and sugar were found short or damage during 1970—81 resulting in a loss of Rs. 194 million. No Action had been taken to investigate the losses and to fix responsibility.

The Department explained that the position as stated by Audit was not in conformity with facts. The factual position was as under:—

(a) The Accounts showing stock accounts of receipts and despatch rendered by handling agents since forwarded to audit.	Rs. 156.2 million
(b) Recoveries effected.	Rs. 12.7 million
(c) Cases under recovery.	Rs. 8.3 million
(d) Shortages/Damages *during voyage .	Rs. 16.4 million
Total	Rs. 193.6 million

The Committee directed the Department and Audit to verify the facts and report.

The Audit submitted the report to the Committee in its meeting held on 7-9-1986 and stated that only partial verification of record had been carried out which indicated :—

- (a) There were shortages/losses of 78,337 tons wheat valuing Rs. 141.9 million which have remained unaccounted for and uninvestigated.
- (b) Rs. 5.8 million had actually been recovered as indicated in departmental reply and not Rs. 12.7 million.
- (c) No action appears to have been taken by the Ministry for recovery of Rs. 8.3 million from the defaulters.
- (d) No enquiry for losses appear to have been made.

The Committee directed that the receipts and despatches of wheat consignments as a whole may be checked by Audit and the results reported.

The Auditor-General has accordingly rechecked the accounts and reported following final position in this regard :—

(a) Shortages/Damages still unaccounted for.. .. .	Rs. 158.60 million
(b) Shortages/Damages accepted by the Ministry of Food and Agriculture as per initial reply	Rs. 16.35 million
(c) Cases under Recovery.. ..	Rs. 16.90 million
Total	Rs. 191.85 million

The Committee has accordingly directed the Ministry of Food and Agriculture to fix responsibilities for the shortages/damages which are still unaccounted for, in addition to the shortages and damages which have already been accepted by the Ministry of Food.

Para 7 (b)—AR, 1981-82

9. *Non-recovery of liquidated damages—Rs. 0.86 million.*—Two contracts were made with a firm in 1980 for supply of 35000 M. Tons of Urea Fertilizer. The firm failed to fulfill the commitment partially. As a result, liquidated damages of Rs. 0.86 million became recoverable.

The Department in reply stated that both the contracts were made on barter basis and hence no performance bond had been obtained from the Suppliers. The Suppliers and their local agents were issued notices for the recovery of the above amount, the validity of which expired on 29-12-81. The Commercial Councillor, Embassy of the Hungarian Peoples Republic in Islamabad informed in January, 1982 that the delay in shipment was due to declaration of 'Force Majure' by the Suppliers. The matter was referred to the Law Division who advised that a suit for the recovery of the damages be filed against the Suppliers as well as their local agents in Pakistan and let the Suppliers convince the Court that the delay was due to 'Force Majure'. Accordingly suit No. 230/82 for recovery of damages has been filed in the High Court of Sind, Karachi.

The Committee directed that the Department should submit full details of the case.

Para 8—AR, 1981-82

10. *Overpayment to Commercial Banks Rs. 17.74 million.*—The accounts of State Trading Scheme of Fertilizer for 1972-73 to 1975-76 indicated that an overpayment of Rs. 17.74 million was made to local banks in 25 cases, which has not been recovered.

The Department explained that recoveries have since been made from one of the three banks and in case of another, a sum of Rs. 13 lacs had been withheld as against the recoverable amount of Rs. 133,000. As regards the United Bank Limited, the matter had

been referred to Ministry of Finance who had advised that since the Banks were nationalized, the matter may be sorted out mutually.

The Committee directed that the Ministry should resolve the matter immediately and the results reported.

Para—12 A.R., 1981-82

11. *Loss of Rs. 4.96 Million for irregular cancellation of contract and overpayment of demurrage.*—Details have been included in Para 2.21 to 2.26 of the Report.

Para 14(i)—AR, 1981-82

12. *Loss due to shortages of Fertilizer in unloading and despatches—Rs. 4.41 million.*—2,493 M. Tons Fertilizer costing Rs. 4.41 million was found short in 8 consignments received in 1975-76. The shortages occurred at the time of unloading and despatches for which no investigations were made to fix responsibility and to take remedial measures.

The Department explained that an enquiry was conducted in 6 out of 8 cases but the Government decided to have these cases required. The Department maintained that percentage of shortages in relation to shipped quantity was showing a decreasing trend and the overall shortages were only 2.11% in 1981.

Since the enquiries into these cases have not been completed, the Committee directed in their meeting held on 25-3-1986 that the results of enquiries should be furnished to the Committee within one month.

The case was re-examined by the Committee in its meeting held on 7-9-1986 in which the Department informed that the enquiry reports in these cases were still awaited.

Logistic Cell and the Ministry of Railways should appear before the Committee to explain the correct position.

Para 14(iv)—AR, 1981-82

15. *Shortage and Damages at Port—Loss of Rs. 0.766 million.*—A ship carrying 21,000 M. Tons DAP fertilizer reached Karachi in August, 1980 and off loaded the full manifested quantity. The final despatch statement prepared by the Department in December, 1980 indicated a shortage of 199 M. Tons valuing Rs. 5,54,000 and a quantity of 297 M. Tons as damaged and sweepings which resulted in an additional loss of Rs. 2,12,000.

The case was examined by the Committee in its meeting held on 25-3-1986, in which the departmental representative explained that a preliminary enquiry into the matter was being conducted by a Joint Secretary of the Establishment Division. The Committee directed that the enquiry should be expedited and its results reported within one month.

The case was re-examined by the Committee in its meeting held on 7-9-1986. The departmental representative informed the Committee that according to the findings of the Enquiry Officer, the shortage of 122.7 M. Tons was a handling loss due to abnormal port conditions. The loss of 76.6 M. Tons was attributed to the negligence on the part of handling staff.

The Committee observed that the enquiry was initially ordered in 1981 which was abnormally delayed. The responsibility for delay should be fixed and action should be taken against those found responsible. The Committee also directed that action should also be taken against the officers responsible for the shortage of 76.6 M. Tons, as per findings of the enquiry and compliance reported to the Committee.

Para 14(v)—AR, 1981-82

16. *Loss of Rs. 2.99 million due to short landing of fertilizer.*—Against 5 consignments of fertilizer during March, 1973 to July, 1975, short landing of 1523 M. Tons valuing Rs. 2.99 million remained unrecovered from the defaulting parties.

The case was examined by the Committee in its meeting held on 25-3-1986 in which the Department explained that the claims for all the cases were lodged where due but were not admitted, and that an enquiry in the matter was being held which was in the process of finalization.

The Committee re-examined the case in its meeting held on 7-9-1986 in which the departmental representative stated that their earlier statement that “an enquiry into the matter was being conducted” was not correct. The Committee, therefore, directed that enquiry into the matter should be immediately conducted and results reported to the Committee.

Para 14(vi)—AR, 1981-82

17. *Loss due to short shipment and short landing—Rs. 1.96 million.*—A contract for supply of 1 lac M. Tons of Urea from Iraq was concluded in September, 1980. due to war a part quantity of 30400 M. Tons was shipped and the balance supply was cancelled under ‘Force Majure’ clause. The supply was made in 3 consignments. 600 M. Tons valuing Rs. 1.96 million was, however, not adjusted. In the same consignment 107 tons valuing Rs. 266,000 were short landed, the claim for which was rejected by the shipping company, not being based on joint survey.

The Committee examined the case in its meeting held on 25-3-1986 in which the departmental representative intimated that an enquiry into the matter was being conducted by a Joint Secretary of Establishment Division.

The case was re-examined by the Committee in its meeting held on 7-9-1986 in which the Ministry submitted the findings of the enquiry. The summary of the findings were as under :—

- The quantities of short shipping and short landing were confirmed.
- The recovery of Rs. 1.69 million was not made from the Supplier because the payment against the first L.C. had already been received by the Supplier through National Bank of Pakistan. Second L.C. was opened through United Bank who did not agree to the deduction.
- A state of complete confusion prevailed in this transaction from beginning to the end which was created by the Suppliers and their agents who kept on intimating different quantities of fertilizer as despatched.
- Rs. 28,463 on account of loss of 11.5 M. Tons of fertilizer were recoverable from Stevedores or FDFI Officials.

The Committee directed that the action should be taken against the persons responsible for the loss and recovery case should be followed with the Suppliers.

Para 14(vii)—AR, 1981-82

18. *Irregularities in recovery of short landing claims of Rs. 0.94 million.*—A ship carrying 9,450 M. Tons of fertilizer from Iraq reached Karachi in February, 1980. The final despatch statement indicated a short landing of 350 M. Tons. The claim for compensation was turned down by the shipping agents as joint survey of the cargo had not been arranged. The ship being more than 20 years old, the cargo was to be shipped under full insurance cover by the suppliers, but the insurance policy covered shortages in excess of 2% of the total quantity. Accordingly the insurance company agreed to pay the claim only partially. Even the reduced

claim was also not recovered due to lapses on the part of the Department and became time barred.

The case was examined by the Committee in its meeting held on 25-3-1986 in which the Department intimated that a Joint Secretary of Establishment Division had been appointed as Enquiry Officer and that the enquiry report was awaited.

The case was re-examined by the committee in its meeting held on 7-9-1986 in which the Department explained that their earlier statement was not correct and the correct position that the enquiry had been entrusted to an Officer of the Ministry of Food and Agriculture who had been transferred and the enquiry had now been entrusted to another officer. The para was deferred for the next meeting.

Para 14(viii)—AR, 1981-82

19. *Short landing case not handled properly—loss of Rs. 2.6 million.*—Short landing of 997 tons fertilizer was detected in a ship which discharged cargo at Karachi in April, 1980. The Department lodged the claim on freight contractor instead of ship owners, which was rejected on legal grounds. By the time the claim was lodged with the correct party, it had become time barred.

The case was examined by the Committee in its meeting held on 25-3-1986 in which it was stated by the Department that it was being investigated by an Officer of the Establishment Division whose report was awaited.

The case was re-examined by the Committee in its meeting held on 7-9-1986. The departmental representative stated that the Enquiry Officer had since finalized his report and according to him now. Mr. Asad Ullah, Dy. Director Ports, FDFI, was responsible for the loss of 973.5 tons fertilizer valuing Rs. 2.5 million. The Enquiry Officer had recommended that the remaining quantity of 23.75 tons be treated as handling loss at the Port and be written off.

The departmental representative further explained that further action in the light of the findings of the enquiry report was being taken.

The Committee directed the Ministry to keep the Committee informed of further progress.

Para 14(ix)—AR, 1981-82

20. *Unsettled claim for short landing of fertilizer and liquidated damages—Rs. 2.5 million.*—in a contract the requirement of security deposit was relaxed and insurance was taken at Government expense (Rs. 335,490) which was normally borne by the Supplier. Besides, there was a short landing of 634. M. Tons valuing Rs. 1.5 million. The insurance claim could not materialize in full due to defective insurance policy. Other claims of Rs. 0.66 million on account of despatch earnings, customary fees and liquidated damages against the suppliers also remained unsettled.

The representative of the Ministry of Food and Agriculture explained the background of the case as under :

- (a) That the case was presently subjudice.
- (b) No written evidence that the Suppliers demanded that insurance of fertilizer was to be obtained by the Government at their own expense, if the age of the vessel was more than 20 years, was available on record. Only a note of Director Federal Directorate of Fertilizer Imports, Lahore was available on record to support that such a demand was made.
- (c) Before the contract was submitted to FA's Organization, Joint Secretary Agriculture had approved the deviation. FA's Organization declined to endorse the contract as according to them the deviation needed the approval of the main Ministry of Finance. The Finance Division was requested to grant *ex-post facto* approval on the grounds that

fertilizer was badly needed for 'Kharif' crop. The insurance of cargo at Government expense was approved by the Finance Division on the consideration that the contract and already been signed and cancellation thereof might involve legal complications.

- (d) The administrative Ministry had obtained the clearance of the contract from FA Wing on an undertaking that Finance Division's approval would be obtained for the deviation in the contract. The case was, however, pursued with the Finance Division on the grounds that since order had been placed, there would be serious consequences if deviation has not been agreed to.

The Committee examined the case and directed as under:—

- (a) As per recommendations of the Enquiry Officer, it should be investigated as to what were the compulsions which forced Mr. Manzoor Ahmad, Additional Secretary MINFA and Mr. S. Alamdar Hussain the Joint Secretary, Ministry of Food and Agriculture to agree to the unreasonable demand of the Suppliers regarding insurance.
- (b) The Government policy regarding insurance of cargo should be strictly followed in future.

Para 15—AR, 1981-82

21. *Irregularities in recovery of cost of fertilizer short landed—Loss of Rs. 663,414.*—A contract for import of 10,000 M. Tons of Urea Fertilizer was concluded in 1980. The supply was received in two consignments and total quantity of 745 tons was short landed. The short landing claim of the first ship was recovered from an outstanding demurrage claim of the Shipping Company whereas the cost of 300.5 Tons (Rs. 663,414) in respect of second ship was not recovered. The shipping documents of the second consignment contained various discrepancies and as such payment

was withheld. FDFI headquarters sent two telexes on 14-6-1980 to their representative at Karachi directing in the first to accept the documents and release the payment and then directing in the second to treat the first telex as cancelled in view of short landing claims. The FDFI representative at Karachi ignored the second telex and authorized the State Bank of Pakistan on 16-6-1980 to arrange payment.

The case was examined by the Committee in their meeting held on 25-3-1986 in which departmental representative intimated that the enquiry to fix the responsibility had since been completed and the report would be submitted within a short time.

The Ministry of Food and Agriculture subsequently submitted a copy of the enquiry report which concluded as under:—

“Ch. Anwarul Haq the then Director PA and Mr. Aftab Zafar Malik the then Deputy Director Accounts were equally to be blamed for wilful release of payment against the L.C. and for the loss of U.S. \$ 67,011.50, M/s. Trans Clear of Pakistan being a party to irregular release of payment are equally to be blamed”.

Para 18—AR 1981-82

22. *Review of the Performance of FDFI—1981-82.*—The Auditor-General reviewing the performance of FDFI during the year 1981-82 observed that a total quantity of 291,151 M. Tons fertilizer was imported during the year as compared to 2,796.131 M. Tons in the year 1980-81. A major reason for the fluctuation was the heavy closing balances of imported fertilizer at the end of 1980-81.

The Ministry of Food and Agriculture briefly described the procedure for planning, fixing and refixing of targets and explained that prediction of utilization of fertilizer in the country was not

possible in specific terms. Many factors were involved which had drastic effect on consumption. More-over policy decisions were taken at higher level which were not within the powers of Department to control.

The Auditor-General pointed out that better mechanism for planning and forecasting was required to be developed otherwise it would not be possible to reasonably control the erratic behaviour of demand and supply.

The Committee decided that better planning for import of fertilizer was needed to ensure that funds and fertilizer were not locked up and at the same time there should be adequate reserves to meet an unexpected rise in the demand.

The Committee also directed that a high level Committee comprising the representatives of Ministry of Finance, Food and Agriculture and Audit should be formed to consider and develop the framework of rules for efficient administration of the FDFI.

The Audit also pointed out that there were abnormal delays in preparation of final despatch statements as a result of which it was not possible to highlight the deficiencies in the management of imported fertilizer promptly.

The Committee directed that preparation of final despatch statements should be expedited and the results reported in the next meeting for review of the Committee.

Para 19—AR, 1981-82

23. *Performance review of the Food Department for the year 1980-81.*—The Auditor-General while reviewing performance of Food Department for the year 1981-82 observed that :—

- (i) The existing strength of the Food Department was in excess of requirement and needed review and suggested

that the staff should be assessed either on tonnage or ship basis ;

(ii) Arrangements for internal audit were not adequate ;

The departmental representative stated that the re-organization of the Department was being carried out and the report would be ready within next three months.

The Committee directed that :—

- (a) Administrative re-organization should be completed within 3 months; and
- (b) The system of financial control and internal audit should be reviewed by the Committee Constituted as per decision on audit para 18.

Para—21(3)(i) A.R., 1981-82

24. *Loss of Rs. 1.158 million due to defective tendering.*—
The details have been included in para 2.30.

Para 21 (4)(i) A.R., 1981-82

25. *Loss of Rs. 2.368 million due to defective tendering.*—
In September, 1975 tenders for procurement and shipment of 150,000 M. Tons were floated, by Pakistan Embassy, Washington. In response 5 bids were received. One of the ships 'Varvara' had offered U.S. \$ 16.16 per ton for carrying 75,000 tons of Wheat. As the left over cargo was only 63,900 M. Tons, the shipment rate was enhanced to U.S. \$ 16.50 per M. Tons. The ship, however, finally sailed with a load of 86,900 M. Tons. Thus the additional payment of U.S. \$ 0.34 per tons was infructuous.

The Ministry in reply stated that vessel 'VARVARA' was offered at U.S. \$ 16.16 per M. Ton to carry a quantity of 75,000 M. Tons plus/minus 5%. However as only two parcels of 30,000 M. Tons each were available, the owners demanded an increase in the

freight rate from U.S. \$ 16.16 to U.S. \$ 17.50 per M. Tons. The Purchase and Chartering Committee decided to negotiate the rate and after a great deal of persuasion, brokers were prevailed upon to reduce the rate subject to the condition that the parcel of 30,000 M. Tons plus/minus 5% should be increased to 33,000 M. Tons. The vessel was finally fixed for 63,900 M. Tons plus/minus 5% at U.S. \$16.50 per M. Ton. The Purchase and Chartering Committee thus acted in the best possible manner under the circumstances.

On further investigations it was found that in August, 1975 a CCC credit of U.S. \$ 20 million was sanctioned, in favour of Pakistan for purchase of Wheat. On October, 30, 1975 the Ministry advised the Embassy to buy Wheat under the available G.S.M. credit and to ship it to Pakistan so as to reach there in early February. The Embassy floated the tenders and in response M/s. Louis Dreyfus offered a small parcel of 20,000 M. Ton at \$ 149.70 per M. Ton. A matching Vessel named 'VARVARA' was offered at \$ 15.62 per M. Ton. This vessel was already loading 67,095 M. Tons of Wheat for Pakistan in the Gulf. The Committee negotiated with Star Trading Company the Brokers of the ship who reduced the rate from \$ 15.62 to \$ 14 per M. Ton. The Committee thus decided to buy this parcel.

The position thus emerged from the above details is summarized as under :—

63,900 M. Tons @ 16.50 \$	= \$ 1,054,350
23,988 M. Tons @ 14.00 \$	= \$ 335,832
<hr/>	<hr/>
87,888 M. Tons	= \$ 1,390,182
<hr/>	<hr/>

The actual freight rate thus worked out to U.S. \$ 15.81 per M. Ton for both the parcels as compared to the original offer of U.S. \$ 16.16 for the first parcel. There was thus apparently no loss involved and the PAC decided to settle the para.

Para 21(v) A.R., 1981-82

26. *Transportation of Wheat from Argentina-Loss of U.S. \$ 177,156.*—Details are included in para 2.31 to Para 2.34 of the report.

Para—21(19) A.R., 1981-82

27. *Loss of Rs. 19.6 million due to defective planning in tendering.*—Details have been provided in para 2.35 to para 2.40 of the report.

Para 23—AR, 1981-82

28. *Loss of U.S. \$ 378,450.*—A foreign Government offered 87,000 M. Tons of Wheat against a loan in July, 1975. Pakistan Embassy in Washington accordingly asked to arranged shipment. The entire quantity was to be lifted from one port. However, while floating the tenders, clauses regarding "Transportaion of Wheat at Charters's option from one to two ports" and "no substitute vessels to be offered" were inserted in the said documents. In response thereto, one of the shippers quoted the rate of \$ 12.40 per M. Ton which was not considered on the plea that the bidder had used the words "For substitutes" and that performance bond was not enclosed. In its place another offer at \$ 16.75 was accepted with substitute vessels and lifting from one port. The Government thus lost \$ 378,450 (Rs. 3.7 million) by paying higher freight rate.

The Ministry of Food & Agriculture in their reply stated that before floating of tenders, the Food and Agriculture Counsellor had a discussion with the Canadian Wheat Board Officials and he had been given to understand that Canadian Government would endeavour to make available the entire quantity from one port but the option of calling at two ports should be kept open. The cheapest offer for the vessel 'Teak Wood' at \$ 12.40 per M. Ton was not accompanied by a bid bond and also

provided for a substitute vessel. The cheapest offer was not responsive for the reason that bid bond was not enclosed nor there was any evidence on record to show that the bid bond was actually posted by the Bankers. The loss calculated by Audit was, therefore, hypothetical.

The PAC examined the reply of the Ministry and was of the view that the reply was apparently reasonable. The para was, therefore, dropped.

AUDIT REPORT 1982-83.

Para 1—AR, 1982-83

1. *Loss of Rs. 53.9 million due to shortage/damages of foodstuff.*—Shortages and damages of Wheat and Maize etc. valuing Rs. 53.9 million were noticed in 51 consignments received during 1966—68. No steps were taken by the Department to investigate into the losses.

The departmental representative explained that these were very old cases and the record was not readily available. He assured the Committee that all out efforts were being made to trace out the record and to finalize the cases.

The Committee after going through the explanation directed the Department to finalize the matter without any further delay.

Para 2(i)—AR, 1982-83

2. *Loss of U.S. \$ 75,800 on short landing and damaged fertilizer.*—A ship carrying 11000 M. Tons of Urea fertilizer reached Karachi in 1978. A quantity of 307.5 M. Tons valuing U.S. \$ 50,661 was short landed and adjusted against the demurrage claim. The Supplier did not accept the adjustment as no joint survey

was carried out. The amount was released on the advice of the Law Division. Beside, 151 M. Tons fertilizer valuing U.S. \$ 25,139 were found damaged.

The Department explained in reply that the case had been entrusted to Joint Secretary, Establishment Division for investigation who had completed his enquiry and submitted his report which was under examination. During the course of discussion, Secretary, Ministry of Food and Agriculture admitted that above reply was incorrect and the case had never been referred to Joint Secretary Enquiries. He further stated that the Department was now preparing to lodge a claim against the Suppliers.

The Committee expressed its displeasure and annoyance on the delayed action in such cases and directed that the Department must fix responsibility. The Committee also directed that the names of the persons responsible for delay must be communicated to PAC Secretariat within 15 days. The Committee would examine this case on hearing the explanations of the Officers involved.

Para 2(ii)—AR, 1982-83

3. *Shortages of fertilizer—Rs. 3.99 million.*—Audit pointed out that shortages of 3428 M. Tons of imported fertilizer occurred in 14 consignments received during 1973 resulting in a loss of Rs. 3.99 million which have not been investigated so far.

The departmental representative explained that the losses were pointed out by Audit in February, 1981 and a Board of Enquiries was constituted in 1985 which had found that the loss was not due to shortages. Instead of certain quantities remained unaccounted for due to defective weighment system and quantity was lost in handling or damaged due to rains. The Board of Enquiry had thus suggested that the loss should be written off as unrecoverable.

The Committee asked the departmental representative as to what were the causes for delay in conducting the enquiry from 1981 to 1985. The Secretary Ministry of Food and Agriculture was not able to explain the delay.

The Committee decided that this para should also be considered with para 2(i) and the decision thereon should also be applicable to this case.

Para 2(iii)—AR, 1982-83

4. *Loss of fertilizer by damage and shortlanding—Rs. 4.02 million.*—A ship carrying 14,428 M. Tons bagged fertilizer reached Karachi in March, 1981. The departmental surveyor declared that 1,081 M. Tons fertilizer was damaged due to leakage of sea water and another 430 M. Tons was short landed resulting in a loss of Rs. 4.02 million. The stores were insured by the Supplier as the ship was 20 years old. The Department irregularly reduced the claim of damaged cargo to 50% without any basis. The case remained unsettled although in terms of contract the claim was payable by the Supplier without writing for the settlement with insurance company. The Supplier was paid the whole amount on 11-3-1981 despite the above claim.

In addition, the performance bond of U.S. \$ 964,900 was also returned to the Supplier and in lieu thereof a bond of U.S. \$ 261,072 was obtained which was also not encashed subsequently.

The Department intimated the Committee that the case was under investigation. The first report was based on estimates and as such could not be treated as survey report.

(Results of further examination of enquiry report awaited from D.A.I.S. & F.).

Para 2(iv)—AR, 1982-83

5. *Loss of Rs. 342,278 on shortages of fertilizer.*—In 1978, shortage of fertilizer valuing Rs. 342,278 was noticed in a consignment. No investigation had been made in this case to determine the reasons for the loss.

The Department explained that the case was being investigated by the Joint Secretary Enquiries and his findings were awaited. Subsequently the findings of the Enquiry Officer were presented. According to which shortage of 57 M. Tons was held to be a normal loss due to handling and the shortage of 103 M. Tons was attributed to the negligence of following officers :—

Mr. Mir Asadullah, Director Port.

Mr. Sabir Ali Khan, Asstt. Director, Port.

The Committee directed that the Ministry should expedite action on the enquiry report and apprise the Committee of the position in the next meeting.

Para 2(vi)—AR, 1982-83

6. *Non-recovery of Rs. 1.7 million as shortages.*—Shortages of 1223 M. Tons fertilizer were noticed in two consignments imported in July, 1973 but no steps were taken to effect recovery from the defaulting parties.

The Department stated initially that the case had been referred to Joint Secretary Enquiries for investigation who had completed the investigation and the report was under examination. On the cross examination it was found that the initial statement was not correct and the case had been referred for enquiry on 18-8-1986.

The Committee directed that report of the Enquiry Officer should be expedited and the results reported to the Committee in its next meeting.

Para 2(vii)—AR, 1982-83

7. *Shortages/damages of fertilizer at Port—Rs. 1.27 million.*—Audit pointed out that in June, 1980 shortages/damages of 416 M. Tons fertilizer valuing Rs. 1.27 million was noticed in two consignments which were not investigated.

The Department intimated the Committee that the matter had been investigated and the enquiry officer had concluded as under :—

Mr. Wali Muhammad and Mr. S.M.A. Naqvi were responsible for the loss of 216.910 M. Tons of fertilizer. The remaining wastage was recommended to be written off as handling loss at the port.

The Committee directed that further action should be taken by the Ministry in the light of the findings of the enquiry and results reported in the next meeting.

Para 2 (viii)—AR, 1982-83

8. *Loss of Rs. 8.864 million due to shortages/damages of Fertilizer.*—In eight consignments of fertilizer received in Karachi Port in 1981-82, a shortage of 2802 M. Tons valuing Rs. 8 million was noticed. In addition loss on account of sweeping and damages was Rs. 0.8 million.

The Department intimated that an enquiry into the matter has been conducted and the Enquiry Office has made following recommendations :—

Vessel

Shortages

M.V. AISHA.

175 M. Tons Mian Wali Muhammad and Mr. S.M.A. Naqvi of FDFI were responsible for the loss of 121 M. Tons. The remaining quantity be written off as handling losses.

M.V. EL. CARRIER.	742 M. Tons	Loss was attributed to defective weighment system, rains and handling.
M.V. SUMMIT VENTURE	698 M. Tons	Loss was attributed to defective weighment system and handling loss.
M.V. TOKYO OLYMPIC.	80 M. Tons	Do.
M.V. AKADEMOS.	727 M. Tons	Loss was attributed to defective weighment system.
M.V. EL. COMMODORE.	44 M. Tons	Normal handling loss.
M.V. ASIA SWALLOW.	15 M. Tons	Do
M.V. ANGELIKE DYNAMIC.	268 M. Tons	Loss was attributed to defective weighment system and rains.

The Committee directed the Ministry to take further action in pursuance of the enquiry report.

Para 2(ix)—AR, 1982-83

9. *Loss of Rs. 5.75 million due to shortages and damages.*—In case of 4 consignments of imported fertilizer received in 1980-81, shortages of 2018 M. tons fertilizer valuing Rs. 5.53 million were noticed. In addition, the losses on account of sweeping were Rs. 0.23 million.

The departmental representative stated that an enquiry into the matter had been conducted by Joint Secretary Enquiries and the loss was found to be attributable to defective weighment system, rains and handling waste.

Para 2(x)—AR, 1982-83

12. *Loss of Rs. 1.958 million due to short landing/shortages and damages.*—As per Audit a claim of Rs. 1,009,511, was lodged with the Shipper on account of shortlanding in the case of 11 consignments. Similarly in 9 other cases shortage of Rs. 813,280

was declared. In another case a quantity of 272 Tons was despatched as sweeping and rebate of 30% of subsidies on issue price was allowed, resulting in a further loss of Rs. 134,809. The department explained that the inquiry held was under examination with the Ministry. The Committee directed that its directives under para 2(v) above would apply in this case also.

Para 2 (xi)—AR, 1982-83

11. *Loss of Rs. 5.53 million due to shortages and damages.*—In this case again fertilizer valuing Rs. 5.533 Million were shortlanded and was found damaged in 5 consignments during 1980-81. The Department explained that the inquiry in this case was under examination with the Ministry. The committee directed that its directives under Para 2(v) above would apply in this case also.

Para 4—AR, 1982-83

12. *Loss of U.S. \$ 5.58 million in purchase and shipment of wheat.*—Details are included in paras 2.41 to paras 2.46 of the Report. ●

Para 10—AR, 1982-83

13. *Non-execution of contract—Loss of Rs. 2.93 million.*—Supplies of fertilizer against a contract with a Korean Firm could not be made as the local agents did not fulfil the obligations in 1980. The department was not able to encash the performance bond of Rs. 26.9 million because of a stay order by Court of Law. The Department did not take timely action to file a claim for liquidated damages and to cancel the contract.

The representative of the Department explained that immediately on the failure of the agent to perform his contractual obligations, necessary steps for encashment of performance bond were taken but the firm obtained a stay order from the High Court.

The Department further intimated that they had pressed their counsel to get early hearing.

The Committee directed that the case should be pursued vigorously and the result intimated.

Para—18 A.R., 1982-83

14. *Loss in purchase of Wheat seed U.S. \$ 1.4 million.*—In January, 1975 a shipment of 200 M. Tons Wheat seed was arranged by Pakistan Embassy Washington at the instance of Ministry of Food and Agriculture but the proposal was dropped by the Ministry on receiving the revised requirements of the Provincial Government. The matter was there-after put up in the meeting of Agriculture Enquiry Committee held on 29-5-1975 who decided to import 17,000 M. Tons of Seed. The Embassy thus reinvited the bids from selected suppliers and approved an average rate of U.S. \$ 364.11 per M. Tons. the Ministry of Food and Agriculture, did not approve the rates and asked the Mission to retender on the basis that some suppliers had visited Pakistan and offered seed at U.S. \$ 300 per M. Tons. The Embassy did not agree and in reply stated that there could be no guarantee to get a lower rates and get the conditions of tenders already floated will put the Government to bear penalty claims of the parties concerned. The failure of the Ministry in advising the Embassy of the offer in time resulted in a loss of U.S. \$ 1.4 million.

The Ministry in reply stated that the assumption that seed requirements were not assessed properly and timely was not based on facts as they were dependent on the four Provincial Governments indication of their requirements.

A study of the record of Pakistan Embassy Washington revealed that while the Secretary, Ministry of Food and Agriculture had a feeling that price being charged was on a high side the Embassy maintained that the offers had been received on the basis of competitive bidding and there was no surety that retendering

would result in reduction of price, especially when the firms who had stated to have offered a price of U.S. \$ 300 per M. Ton, had also been invited to bid. The Committee was of the view that since the offer made was verbal, it carried no commitment. The Committee, therefore, felt that the loss calculated by Audit, was not genuine. the Committee thus decided to treat the para as settled.

Para 19—AR, 1982-83.

15. *Loss of U.S. \$ 430,538 due to purchase of fertilizer at higher rate.*—In June, 1978, three contracts for import fertilizer at varying rates were entered into with different firms offering the lowest rates. One of the firm which has offered the lowest rates back out demanding escalation which was not granted. The cancelled quantities were purchased at a higher rate through the second-lowest supplier without inviting tenders at the risk and cost of the lowest bidder. The Government thus lost U.S.\$ 430,538 in the process as the liquidated damages, which could not be legally recovered. Even the performance bond could not be encashed.

The Department explained that the action to encash the performance bond was taken but the National Bank of Pakistan referred the matter to the Banking Council. In the meantime the contractor went to the Court of Law. The Ministry of Finance finally decided that the performance bond should not be encashed as National Bank of Pakistan was a Government organization. The case was at present in Court in Law.

The Committee was not satisfied with the reply and decided that the Department should hold an enquiry as to why the retendering was not resorted to in this case.

16. While submitting this Report to the National Assembly it is finally recommended that the suggestions and

recommendaions made by the Committee in the foregoing Paragraphs and Annexure-I, be accepted.

K.M. CHIMA,
Secretary,

Dated : 15-6-1987

SARDARZADA MUHAMMAD ALI SHAH,
Chairman.

SARDAR ASEFF AHMED ALI,
Member.

CH. MUHAMMAD SARWAR KHAN,
Member.

NAWAB MUHAMMAD YAMIN KHAN
Member.

MALIK SAID KHAN MAHSUD,
Member.

ANWAR AZIZ CHAUDHRI,
Minister for Local Government and Rural Development,
Member.

RAI ARIF HUSSAIN,
Member.

SHAHABUDDIN SHAH HUSSAINY,
Member.

MIANGUL AURANGZEB,
Member.

SHAHZADA JAM MUHAMMAD YOUSUF,
Member.

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

FEDERAL COUNCIL SECRETARIAT

Wednesday, the 9th January, 1985

Fourteenth Sitting (PAC)

*2240. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present:—

P.A.C.:

- | | |
|---|-------------------------------------|
| (1) Mr. Masarrat Hussain Zubari, Former Secretary to Government of Pakistan . | <i>Member,
Acting Chairman.</i> |
| (2) Akhunzada Bahrawar Saced, Member, Federal Council . | <i>Member.</i> |
| (3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council. | <i>Member.</i> |
| (4) Mr. Abdul Qadir, Former Chairman, Railway Board. | <i>Member.</i> |
| (5) Mr. Yusuf Bhai Mian, Chartered Accountant . | <i>Member.</i> |

Federal Council Secretariat:

- (1) Mr. M.A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmad, Assistant Secretary.

*Paragraphs upto 2239 pertain to other Ministries Divisions.

Audit:

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Director-General (Co-ord).
- (4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
- (5) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues.
- (6) Mrs. S. N. Sheikh, Director General, Commercial Audit.
- (7) Mr. Iftikhar Ali Khan Raja, Director General Audit and Accounts Works, Lahore.
- (8) Mr. S. Jamilur Rehman Director of Audit, Industries, Supply and Food, Karachi.
- (9) Ch. Muhammad Ilyas, Director Revenue Receipt Audit, Lahore.

Ministry of Finance:

- (1) Mr. Manzur Hussain, Joint Secretary (Budget).
- (2) Mr. Jamil Erickzada, D.F.A. (Kashmir Affairs and Northern Affairs).
- (3) Mr. Vakil Ahmed, DFA (Food and Agriculture).

2241. *Accounts examined.*—Accounts pertaining to the Food & Agriculture were examined by the Committee during the course of the day.

MINISTRY OF FOOD AND AGRICULTURE

*2292. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Food and Agriculture. The following departmental representatives were present:—

- (1) Mr. R. A. Akhund, Secretary.
- (2) Mr. Anwar-ul-Haq Raazi, Joint Secretary.
- (3) Dr. Abdus Salam Akhtar, Joint Secretary (LS).
- (4) Mr. Muhammad Sami, Deputy Secretary (F&A).
- (5) Mr. T.A. Siddiqui, Deputy Secretary (LS).
- (6) Dr. Imtiaz Hussain, DG (FSCD).
- (7) Mr. S. Sohail Ahmed, Member Finance (PARC).

*Paragraph upto 2291 pertain to other Ministries/Divisions.

- (8) Mr. Fariduddin Ahmad, Director and Adviser (Plant Protection).
 (9) Khawaja Iftikharuddin, Director Finance (RCP).
 (10) Dr. Akhlaq Hussain, Director (NSRD).
 (11) Mr. M. Farooq Ahmed, Director, Zoological Survey.
 (12) Mr. Gul Nawaz Malik, OSD (F&A).

2293. This Ministry controlled the following grants:—

S. No.	Name of Grant	Grant No.
1.	Food & Agriculture Division	52
2.	Forest	53
3.	Plant Protection Measures.. .. .	54
4.	Other Agricultural Services.	55
5.	Subsidy on Wheat.	56
6.	Zoological Survey Department	57
7.	Livestock Division	58
8.	Islamabad Milk Plant	59
9.	Fisheries	60
10.	Other Expenditure of Food & Agriculture Division.	61
11.	Capital Outlay on Purchase of Food.. .. .	128
12.	Capital Outlay on Purchase of Fertilizer	129
13.	Development Expenditure of Food and Agriculture Division	150
14.	Development Expenditure of Livestock Division.	151
15.	Capital Outlay on Food Storage and Other Works	181

2294. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation upto 1983-84 had been completed and the reconciliation for the year 1984-85 was not up-to-date. *As such the Committee directed that the reconciliation of Accounts upto 31st October, 1984, be completed as early as possible and thereafter the monthly accounts be reconciled promptly and regularly.*

APPROPRIATION ACCOUNTS

2295. *Grant No. 52—Food and Agriculture Division (Pages 512—518-AA).*—The Accounts show a net excess of Rs. 2,302,626 under this grant, including Rs. 63,976 under Object “900—Miscellaneous Expenditure”. It was explained by the Ministry that had the supplementary grant of Rs. 61,000 and an adjustment of Rs. 2,950 been taken into account there would have been an excess of Rs. 25 only. Audit confirmed the adjustment, but maintained the supplementary grant of Rs. 61,000, was not included in the printed book.

2296. *Grant No. 53—Forest (Pages 532—534-AA).*—The Committee did not make any material observation on this grant as the overall position of the grant was agreed to by the Audit.

2297. *Grant No. 54—Plant Protection Measures (Pages 536—538-AA).*—There was a net saving of Rs. 3,673,933 under this grant. After examining the explanation of the Ministry against each object of the grant and the Audit Comments thereon, the Committee took the following decisions, the first two decisions being of ground applicability:—

- (i) *Whenever there be large savings under one grant or object and excesses in others, timely action or re-appropriations, according to the rules should be taken. This would require a close month by month monitoring of the expenditure by the department under all the Objects of various grants, to be able to keep track of savings and excesses in time. A proper manning of the Finance and Accounts Section of Ministries/Organizations would be a pre-requisite for a proper management of Accounts in the abovesaid manner.*
- (ii) *There should be a consistent use of Comma between figures, to facilitate their study.*
- (iii) *The Accounts of PARC should be duly furnished by Agricultural Research Division to Audit in future. As decided, all amounts must be shown in millions and not lacs.*
- (iv) *Recoveries from farmers for services rendered.*—Audit had shown a less recovery of Rs. 34,390,000 under the Grant. The Ministry explained in their reply that recoveries of Rs. 10,821,953 were deposited in the Government Treasuries. *The committee directed that actual recoveries may be reconciled with treasuries and then with Audit to get these adjusted in the accounts.*

2298. *Grant No. 55—Other Agricultural Services (Pages 540—542-AA).*—The Appropriation Accounts show a net saving of Rs. 376,023 under this

grant. It was stated by the Ministry that the saving was within permissible limit of 5 per cent. A Surrender of Rs. 16,450,325 was made as there were vacant posts which could not be filled in owing to non-availability of suitable candidates and non-release of funds in time for purchase of machinery, equipment, books etc. Audit commented that surrender of Rs. 16,450,325 against the provision of Rs. 50,002,000 was nearly one third. It showed that requirements were not properly assessed at the time of budgeting.

2299. A member of the Committee remarked that the surrender of 22 per cent of the final grant, as a major post thereof could not be ascribed to vacant posts. The departmental representative informed the Committee that actually the surrender was due to short releases. From March to June, 1982 nothing was received. Replying it an observation made by the same member about the status of Pakistan Agricultural Research Council (PARC), the departmental representative explained that it is an autonomous body established in 1980-81. The same member of the Committee inquired whether PARC had been constituted under a notification. The departmental representative replied in the affirmative and said that it was constituted under the PARC Ordinance. The same member also observed that the separate budget of PARC and its income and expenditure etc. and also all other accounts kept by it should be produced before Audit and Audit should check them. No further observation was made by the Committee under this grant.

2300. *Grant No. 56—Subsidy on Wheat (Pages 546-AA).*—The appropriation accounts show final grant of Rs. 784,160,000, actual expenditure of Rs. 12,276,439, and surrender of Rs. 771,883,561. The Committee did not make any observation thereon.

2301. *Grant No. 57—Zoological Survey Department (Pages 548—550-AA).*—The saving of Rs. 5,643 under this grant being within the permissible limit, the Committee did not make any observation thereon.

2302. *Grant No. 58—Livestock Division (Pages 552—554-AA).*—Questioned as to why the department had surrendered Rs. 130,554 when there was a net excess of Rs. 555,373 under this grant the departmental representative could not satisfy the Committee. *The Committee therefore, observed that the surrender was unjustified and the department should be more careful in future.*

2303. *Grant No. 59—Islamabad Milk Plant (Pages 562—564-AA).*—The surrender of Rs. 2,239,587 made by the department against the budget provision of Rs. 3,656,000 was due to the lesing out of Islamabad Milk Plant on 20th January, 1982.

2304. *Grant No. 60—Fishries (Pages 566—568-AA).*—The Ministry did not furnished any convincing reasons for the excess of Rs. 238,096 under this grant. Audit stated that the surrender order for Rs. 1,573,600 should have been given reasons for posts having remained vacant and for the non-operation of survey vessel.

2305. A member of the committee observed that the department had surrendered Rs. 1,573,600 while there was an excess of Rs. 238,096. Had the Ministry taken sufficient care, there would had been no excess. Audit informed the Committee that the excess of Rs. 238,096 had been withdrawn and adjusted in accounts for 1982-83. The Committee did not make any further observation on this Grant:—

Grant No. 61—Other Expenditure of Food and Agriculture Division (Page 520-AA).

Grant No. 128—Capital Outlay on Purchase of Food (Page 570-AA).

2306. There was no material point for the Committee consideration in these grants.

2307. *Grant No. 129—Capital Outlay on Purchase of Fertilizer (Page 574-AA).*—A member of the committee referring to the saving in this grant, enquired as to whether this was due to lower purchases on smaller subsidy. The departmental representative replied that it was the former and informed the Committee that all the fertilizer purchased was sold to the Provinces, and the proceeds of the sale and the loss thereon were shown as memorandum items on page 574 of the Appropriation Accounts. On a further enquiry as to whether the full quantity purchased had been sold, the Committee was informed that it was so.

2308. *Grant No. 150—Development Expenditure of Food and Agriculture Division (Pages 522—530-AA).*—The Appropriation Accounts show excesses of Rs. 5,569,783 under object “513—Pakistan Agricultural Research Council (PARC)”, and Rs. 5,930,683 under object “Federal Seed Certification Agency”. After having gone through the written explanations of the Ministry and hearing the departmental representative, *the Committee observed that the explanations were not satisfactory and, after discussion, directed that fresh explanations should be furnished for the excesses. The item was deferred.*

2309. *Grant No. 151—Development Expenditure of Livestock Division (Pages 556—560-AA).*—A member of the Committee drew attention of the

departmental representative to the following object where large amounts had been re-appropriated or surrendered without giving of cogent reasons:—

	Rs.
“600—Transfer Payments”	975,000
“100—Purchase of Durable Goods”	1,060,900
“500—Commodities and Services”	6,415,000
“600—Transfer Payments”	20,572,000

2310. The same member further enquired as to whether the department could identify that various head under which different schemes were grouped. The departmental representative explained that as for as object “600—Transfer Payments” was concerned, it related to pre-investment studies *i.e.* food, meat and milk project which was carried out through FAO. The money had become surplus and this it was surrendered.

2311. *After examining the explanation of the Ministry, the Audit comments thereon and also seeking further clarification from the departmental representative the Committee directed that the reasons for surrendering amounts under different objects should be furnished to the Committee. The item was deferred.*

2312. *Grant No. 181—Capital Outlay on Food Storage and Other Works (Pages 576—578-AA).—The Appropriation Accounts showed a net saving of Rs. 6,467,103 under this grant over and above a surrender of Rs. 216,891,322 from a final grant of Rs. 276,846,000. After examining the explanations of the Ministry and the Audit comments thereon, the Committee observed that no convincing and tenable explanations were furnished by the department for the saving and the surrender. Therefore, the Committee directed that a note should be given to the PAC, giving cogent reasons of the surrenders, savings made and for asking for supplementary grant of Rs. 138,423,000 under each object and then come back to the PAC.*

2313. *The Committee had only finished the Appropriation Accounts for the year 1981-82 and the examination of Audit Report, Commercial Accounts 1981-82 and Compliance Report for 1979-80 was deferred to the next session of the Committee.*

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 25th March, 1986

Second Sitting (PAC)

*2894. The Public Accounts Committee assembled at 9.00 A.M. in the State Bank Building, Islamabad to continue examination of the Federal Accounts for 1981-82. The following were present:—

P.A.C.:

1. Sardarzada Muhammad Ali Shah, Member,
National Assembly *Chairman.*
2. Sardar Aseff Ahmed Ali, Member, National
Assembly *Member.*
3. Rai Arif Hussain, Member, National Assembly *Member.*
4. Ch. Muhamamd Sarwar Khan, Member, National
Assembly *Member.*
5. Mr. Shahabuddin Shah Hussainy, Member,
National Assembly *Member.*
6. Mr. Miangul Aurangzeb, Member, National
Assembly *Member.*
7. Shahzada Jam Muhammad Yusuf, Member,
National Assembly *Member.*

National Assembly Secretariat:

1. Mr. M.A. Haq, Secretary.
2. Ch. Abdul Qadir, Joint Secretary.

*Photographs upto 2893 pertain to other Ministries/Divisions.

3. Mr. Muhammad Aslam, Deputy Secretary.
4. Mr. Gulzar Ahmed, Officer on Special Duty.

Audit:

1. Mr. Riyas H. Bokhari, Auditor-General of Pakistan.
2. Mrs. Surraiya Hafeez, Deputy Auditor General (CA).
3. Syed Iftikhar Shabbir, Deputy Auditor General (Co-ord).
4. Mr. A. A. Zaidi, Deputy Auditor General (A&R).
5. Mr. Muhammad Saleem Siddiqui, Accountant General Pakistan Revenues.
6. Mr. Iftikhar Ali Khan Raja, Director General Audit & Accounts Works.
7. Mr. Ahmed Nawab Qureshi, Director General Commercial Audit.
8. Mr. Idris Ahmed, Director Audit (IS&F).

Ministry of Finance:

1. Mr. Manzur Hussain, Joint Secretary (Budget).
2. Mr. Tanwir Ali Agha, Deputy Secretary (Budget).
3. Khawaja Reaz Hasan, DFA (Food & Agriculture).

2895. *Accounts examined.*—Accounts pertaining to the Ministry of Food and Agriculture were examined by the Committee during the course of the day.

MINISTRY OF FOOD AND AGRICULTURE

2896. The Committee first took up for examination, the Audit Report 1981-82 and Compliance Report 1979-80 etc. pertaining to the Ministry of Food and Agriculture. The following departmental representatives were present:—

1. Mr. F. K. Bandial Secretary.
2. Mr. Muzaffar Ahmad, Additional Secretary.
3. Ch. Muhammad Zafar Elahi, Joint Secretary (L).
4. Mr. Muhammad Tariq Janjua, Joint Secretary (A).

5. Mr. Inamul Haq, Joint Secretary (F).
6. Mr. Muhammad Sami, Deputy Secretary (F&A).
7. Brig. Khawaja Nasim Iqbal, Manager (FDFI).
8. Mr. Noor Ahmad Shah, Director General (Food).
9. Kh. Iftikharud Din, Director Finance (RCP).
10. Mr. Fazal Ahmad, Director (PARC).

2897. *Reconciliation of Accounts with Audit.*—It was observed that the position of reconciliation of Accounts was not satisfactory. The Committee directed that it should be brought up to-date.

AUDIT REPORT

2898. *Loss of Rs. 110.51 Million paid as demurrage Charges (Para 3, page 103-AR).*—Audit had pointed out that during October, 1972 to April, 1979, demurrage charges were paid by the department on 181 consignments of Fertilizer, due to improper planning.

2899. The department explained that demurrage charges were paid due to non-availability of berthing at Karachi Port. Due to congestion the position at Karachi Port was beyond control of the department. It was the K.P.T. which handled berthing problem. The position had changed since 1981 and the berths were now waiting for ships. Since food and fertilizers were priority items they were at alert all the time.

2900. The Chairman observed that heavy amounts have been paid as demurrage. A country like our cannot afford such losses. The department should take appropriate measures to check such recurrences.

2901. The Audit explained that payment of demurrage charges had declined during recent years considerably. Audit would watch it in subsequent years.

2902. The Committee directed that department should be more vigilant. The paragraph was dropped.

2903. *Shortages and damages in food stuffs (Rs. 194 Millions) (Para 4, page 103-AR).*—As per Audit Report, shortages/damages of wheat and sugar on 102 consignments of 113,694 Metric Tons valuing Rs. 194 million were noticed during the period 1970 to 1981. Nothing was done to investigate and fix responsibility.

2904. The department explained that the amount of Rs. 194 million shown by Audit was not factual. The position was as under:—

	Rs.
(a) The accounts showing stocks accounts of receipt and despatch rendered by handling agents, since forwarded to Audit	156,204,067
(b) Recoveries since made	12,744,775
(c) Cases under recover	8,294,592
(d) Shortages/damages during voyage	16,351,742
Total:	193,595,176

2905. The Audit was conducted after ten years and the records and statements were produced to Audit again in 12/84, when an Audit party visited the office for verification of recoveries and factual position.

2906. The Audit explained that complete records were not produced to Audit for verification of the position. The main difficulty was that the department was not following Reserve Stock Account Rules, 1951. These rules must be followed and if any practical difficulty was being experienced in following them, the Department should get these amended. These accounts could not be verified as the records were not produced.

2907. The departmental representative assured that they would fully cooperate and produce the records whenever asked to do so.

2908. On a query from the Chairman, the department explained the whole procedure of shipping, loading, unloading and joint survey. The procedure of insurance of consignments was also explained. The Department further stated that the consignments were considered to have been delivered and become property of the Department when these were handed over to the Captain of the Ship in a foreign country. This is the law.

2909. The Chairman observed that some measures must be taken to check malpractice at the time of un-loading at berths and the country should be protected from losses.

2910. The Committee then directed that department should get verified the full facts from Audit within one month and report back to the PAC.

2911. *Extra Expenditure of Rs. 70.76 Million due to un-economical freight rates (Para 5, page 104-AR).*—As per audit report extra expenditure was incurred by payment of excessive rates to U.S. Flag Ships for cartage of Fertilizer as compared to rates of vessels of other countries. Moreover in the case of wheat, a provision in the agreement existed for re-imbursement of such differential, whereas there was no provision in the case of Fertilizer. The department explained that they were trying for it but U.S. Aid did not agree.

2912. The Committee observed that there should be clear cut rules on the subject and the paragraph was dropped.

2913. *Loss due to non-receipt of stores Rs. 19,089,566 (Para 6, page 104-AR).*—A ship carrying 63000 M. Tons Fertilizer from Korea ran a ground. Timely action was not taken to withhold payment of L.C., or to recover the cost of consignment. A claim lodged in January, 1982 was also withdrawn in February, 1982. Although the salvage operations were completed in middle of 1981, but claim was again lodged in August, 1983.

2914. The Audit informed the Committee that there was no clear cut procedure and the department was not clear whether their claim should be on the Shipper or Insurance Company.

2915. The department informed that the case was already in the court, and they would have the matter examined whether a claim could be lodged with Insurance Company also.

2916. The Committee, on the assurance of the department that it shall review the whole policy and make out a case, dropped the paragraph.

2917. *Loss of Rs. 18 Million on Risk Purchases (Para 7(a), page 104-AR).*—A contract of shipment of 20,000 M. Tons of Urea Fertilizer from Romania was placed on a firm, which did not fulfil its obligation and the material had to be purchased at higher rates, resulting in a loss to the Government.

2918. The Department explained that Fertilizer was being imported under barter and no performance bond was obtained in barter cases. The matter was taken up with Chamber of Commerce and Industry Romania. The supplier invoked "Force MAJEURE" as such this was a hypothetical loss.

2919. The Audit representative observed that at the time of calling tenders, quotations from foreign firms were required to be attached with the quotation furnished by his local agent. Quotations of foreign suppliers were not obtained.

2920. A member remarked that Committee should take a note of it that there was no risk purchase clause, no safety clause, no performance bond and some pre-cautionary measures must be taken in case of agreements made in barter cases.

2921. The department explained that in the case of government to government barter agreements, there was a provision of risk purchase clause, which covered upto 5%.

2922. The Committee observed that the procedure should be reviewed and if proper procedure had been followed, the loss could be avoided. The Committee expressed its displeasure and the paragraph was dropped.

2923. *Rs. 0.86 Million on Account of Liquidated damages and Risk Purchase remain un-recovered [Para 7(b), page 105-AR].*—The Audit had pointed out that the liquidated madages were not recovered from the firm for non performance of their contractual obligations.

2924. The Department stated that as advised by Law Division, a case had been moved in a court of law for enforcing "Force MAJEURE".

2925. The Committee directed that the department should come again with full details and the paragraph was deferred.

2926. *Cases of overpayments of Rs. 17.74 Million not settled. (Para 8, page 105-AR).*—The Audit had pointed out that in the Accounts of State Trading Scheme for Fertilizers overpayment totalling Rs. 17.74 Million were made to Local Banks and were not recovered.

2927. The Department explained that recoveries had since been made from one Bank. In the case of another bank only wrong interest charges amounting to Rs. 133,000 were recoverable and an amount of Rs. 13 Lacs had been withheld. As for United Bank was concerned, the matter had been referred to Ministry of Finance, who advised that since the banks were nationalised, the matter might be sorted out mutually.

2928. The Audit pointed out that the matter was pending for the last 11 years and nothing had come out so far.

2929. The Committee directed that the matter may be taken up with the Ministry of Finance again. The paragraph was deferred.

2930. *Loss of Rs. 4.96 Million for irregular cancellation of contract and overpayment of demurrage (Para 12, page 107-AR).*—The Audit had pointed out that a contract was placed for 50,000 M. Ton Fertilizer at the rate \$ 150 per M. Ton and an irrecoverable. L.C. opened without verifying credit worthiness of the firm which wringled out from its obligation. When the Department went for encashment of Bank guarantee, the firm obtained an injunction from the court. The contract was cancelled in 9/78 without any financial repercussion and fresh contract was placed with the same firm at the rate of \$ 156 per Matric Ton. This resulted in extra expenditure of Rs. 3,056,468. The rate of demurrage provided in the fresh contract was \$ 4000 against \$ 2200 in the cancelled contract. The firm submitted its claim at the rate of \$ 2200, when this rate was contested, the firm invoked Arbitration clause. The department did not take timely action, as such arbitrator nominated by the contractor became sole arbitrator, who decided the case on the basis of equity and not on legality thus extra demurrage charges amounting to Rs. 1,898,990 had to be paid.

2931. The Department explained in reply that all possible attempts were taken to safeguard government interest and to make the L.C. operative, but it was not possible due to technical problem in foreign bank. The facts were brought to the notice of Ministry of Food and Agriculture. The tender Committee finally decided to cancel the contract. Tenders were recalled and the rate of the same firm was again lowest. The Department had to enter in a fresh contract with the same firm. As for appointment of arbitrator, it was not possible to make such appointment within 7 days as required under the British Law.

2932. A member observed that a very serious notice should be taken of what had happened in this case. The contract was placed with the same contractor who backed out of his obligations.

2933. The Chairman was of the opinion that nomination of arbitrator appeared to have been intentionally delayed. It was not a small loss which could be ignored and such things were not tolerable.

2934. The Committee observed that the firm appeared to be involved in other cases also and took the following decisions:—

- (a) The responsibility for loss should be fixed and names of those responsible should be intimated with full details.
- (b) Name of members of Tender Committee should also be intimated.
- (c) The Secretary, Food & Agriculture may submit a complete report which should be brief and to the point within one month.
- (d) Lengthy replies should be avoided as far as possible.

2935. The paragraph was deferred.

2936. *Loss of Rs. 4.41 Million due to shortages of Fertilizer during unloading and despatches [Para 14(i), pages 107—108-AR].*—As per Audit Report, a total quantity of 2492.64 Metric Ton costing Rs. 4.41 Million was found short at the time of unloading and despatch to indentors. No investigation was carried out to fix responsibility and to regularise the losses.

2937. The Department explained in reply that inquiry in six cases out of eight reported was held, but the government decided to have these cases re-enquired. In the case of last ship the proportion of shortage was very low. These were old cases which were decreasing now and percentage of shortage to shipped quantity was only 2.11% in 1981.

2938. In reply to a question from Chairman, the Department intimated that first inquiry was held in 1973 and then in 1976.

2939. The Committee directed that in future shortage cases should be investigated immediately. In this case information about the inquiries held on this issue should be furnished within one month. The paragraph was deferred.

2940. *Loss due to heavy shortages and damages at Port Rs. 2,116,194 [Para 14(ii), page 108-AR].*—The paragraph was deferred for want of inquiry report.

2941. *Loss due to incurrence of Extra Expenditure in salvage charges and shortages at Port Rs. 8,053,425 [Para 14(iii), page 108-AR].*—A ship carrying 21307 M. Ton of Fertilizer was declared "General Average" and Department had to pay Rs. 5,348,747 as consignee's share of general average. Final despatch statement showed a shortage of Rs. 2,674,412. There was a further damage to the fertilizer resulting in a loss of Rs. 30,066.

2942. The Department explained that Rs. 5.4 Million was due to "General Average" and nothing could be done. It was, however, admitted that there was shortage of 724.21 M. Ton valuing Rs. 2.6 Million. As for loss of Rs. 30,066 it was stated that it was within their power of write off.

2943. The Chairman observed that it was again a case identical to those discussed earlier. How these shortages were determined and why these were not investigated at appropriate time. The case pertains to May, 1980.

2944. The Departmental representative explained the process of surveying, handling the consignment and its despatch to receiving agencies.

2945. The Audit pointed out to wait for the result of an inquiry which was going on in this case.

2946. The departmental representative intimated that inquiry was with Establishment Division which was a preliminary one.

2947. The Committee directed that the inquiry be expedited and its result reported within one month. Establishment Division be written to have inquiries regarding Para 14 (i) & (iii) expedited.

2948. *Shortages & damages at Port-loss of Rs. 766,499 [Para 14 (iv), page 108—AR].*—The paragraph was deferred for want of inquiry report.

2949. *Loss of Rs. 2.99 Million due to short-landing of imported Fertilizer [Para 14 (v), page 109—AR].*—Audit had pointed out that during 1973—75 in the case of five consignments, short-landing valuing Rs. 2,987,699 remained unrecovered, resulting in a substantial loss.

2950. The Department explained that claims were lodged where due, but were not admitted. Inquiry was also held, which was in the process of being finalized. A shortage of 66.85 M. Tons had been adjusted against excess.

2951. Audit held that it had been established by the Attorney as per his letter dated 24-11-1982 that claim could not be settled due to delay and Adverse Survey Report. The shortages also could not be adjusted against excess.

2952. The Department stated that 1% was allowed in survey and heavy losses were also provided for. The matter was taken up without results and requested for Committee's help.

2953. A member held that it was not within the purview of the Committee to take policy decisions.

2954. The Committee desired that a system or mechanism should be evolved whereby losses could be notably minimised if not completely eliminated. The inquiry should be expedited. The P.A.C. would prefer the inquiries to be held by the Ministry itself rather than the Establishment Division.

Loss of Rs. 1,957,033 for want of correct action (Short Shipment and Short-landing) [Para 14 (vi), page 109—AR]

Irregularities in recovery of short-landing claim of Rs. 939,015 [page 14 (vii), page 109—AR]

Short-landing case not handled properly Loss of Rs. 2,566,922 [Para 14 (viii), page 109—AR]

2955. The above paragraphs were deferred for want of Inquiry Reports.

2956. *Claim for short-landing stores liquidated damages etc. remained unsettled (Rs. 2.5 Million) [Para 14 (ix), page 110—AR].*—The Audit had pointed out that in the case of a contract of import of Fertilizer the requirement of security deposits was relaxed and insurance was taken at government expenses, which was normally borne by the supplier and again there was a short-landing. The claim of insurance did not materialize in full due to defective insurance policy. Moreover, the amount of admitted claim also could not be recovered.

2957. The Department explained that insurance was considered essential as the ship was 20 years old.

2958. The Audit pointed out that the Ministry of Finance had to concur to this arrangement, as the contract had already been concluded.

2959. The Department further explained that recovery had been effected, and only one amount of Rs. 2 lac was outstanding. A claim of \$ 66464 was also being dealt with by a Court of Law.

2960. The P.A.C. expressed its displeasure on seeing that, despite the contract, under which insurance was to be the responsibility of the supplier, insurance was taken out by the Department, as a special case, on additional payment. Since the matter was subjudice, the paragraph was deferred.

2961. *Irregularities in recovery of cost of Stores Short-landed Loss of Rs. 663,414 (Para 15, pages 110-111—AR).*—Audit had pointed out that a claim of short-landing of 300.50 Tons of Fertilizer could not be recovered due to discrepancies in shipping documents. The payment was also released without recovery of amount of claim, inspite of clear instructions to withhold payment.

2962. The Department explained that the inquiry to fix responsibility had been completed.

2963. The PAC directed that the final report should be submitted within one month. The paragraph was deferred.

Audit Review of the Performance of the Federal Directorate of Fertilizer Imports for 1981-82 (Para 18, page 112—AR)

2964. (a) *Budget and Targets*.—Annual Development plan for 1980-81 allowed an increase of 15% over the consumption for 1979-80, which was 2,359,281 M. Tons. Thus the target for 1980-81 works out to 2,711,550 M. Ton against which actual supply was 2,796,131 M. Ton which was in excess of targets fixed in the development plan. Moreover actual consumption for 1980-81 was 2,473,993 M. Ton which was only 4.8% more than consumption of 1979-80. Similarly during balance at the end of 1980-81 was 814,078 M. Ton against 491,619 M. Ton at the end of 1979-80. Thus there was an increase of 70.76%. This excessive reserve was not justified.

2965. The Department explained that prediction of utilization of stores was not possible. Many factors were involved which had drastic effect on consumption. Moreover policy decisions were taken at higher level which were not within the powers of the Department to control these factors. Imports were lower than targets.

2966. Audit pointed out that mechanism for planning and better forecasting was required to be developed.

2967. A member remarked that the Ministry deserves full sympathy as it had certain difficulties. Since this Ministry was also handling cooperatives and cooperative societies was the biggest channel to reach the farmer, the Ministry would be advised to strengthen the cooperative movement and its existing channels to reach the farmer. The Federal Government had to take a decision in this matter. Agriculture Department should be cooperative towards Provinces/Banks.

2968. The Committee directed that Ministry should examine to strengthen new outlets, like Cooperative Banks etc., so as to reach the farmer more widely, and that better planning for the imported Fertilizers was needed so that funds & stores were not locked up.

2969. (b) *General*.—Audit had pointed out that the Office Procedure Manual was not prepared and Stock accounts were also not being maintained according to reserve stock Account Rule prescribed.

2970. The Department explained that rules of procedure were under print.

2971. The P.A.C. directed that a high level committee comprising representatives of the Ministry, Finance and Audit may be formed to consider as to what should be prescribed rules, and to lay down rules.

2972. (c) *Issue of Final Despatch Statement.*—Audit pointed out that there was abnormal delay in finalization of these statements.

2973. The P.A.C. directed that the finalization may be expedited and its result conveyed to the P.A.C.

2974. *Quantum of Audit.*—Audit pointed out non-production of files to Audit but the Department stated that originally the Audit was requested to see the files at Karachi whereas Audit insisted their production at Lahore. However, files could be produced even at Lahore.

2975. The P.A.C. directed that the records may be produced and the paragraph was dropped.

2976. *Remedial Action.*—The P.A.C. agreed to the suggestion of the Audit that the proposed High Level Committee would handle this paragraph.

Annual Audit Review Performance of the Food Department for the Year 1981-82 (Para 19, Page 120—AR).

2977. (a) *Organisation & Strength.*—Audit had pointed out that existing strength of Food Department was in excess of requirement and required revision.

2978. The departmental representative stated that a re-organisation of the department was being carried out and a report will be ready within next three months.

2979. Audit pointed out that the staff should be carefully assessed either on Tonnage or ship basis.

2980. The P.A.C. directed that the re-organisation should be completed within 3 months.

2981. (b) *Financial Control.*—The paragraph will be dealt with by the High Level Committee to be formed under paragraph 2976 above.

2982. (c) *Losses not regularised Rs. 27,552,719 (Para 21, page 128—AR).*—Audit pointed out losses due to damage/short delivery and due to defective tendering/planning to the extent of Rs. 27.5 Million.

2983. The Chairman remarked that there was no justification in paying higher rate.

2984. The department explained the lower offer was withdrawn as such higher rates were paid.

2985. Audit representative pointed out that there was nothing on record to show that the lower offer of \$ 116 was withdrawn, as such acceptance of \$ 120 was not justified.

2986. The department stated that the Audit objection appears to be valid. The purchases at Washington were approved by a Committee. The firm withdrew its offer to supply from East Coast and supplied at higher rates from West Coast.

2987. A member remarked as to what changes could be made in the procedure to check such irregularities. The Department should analyse and look into it.

2988. The P.A.C. directed that the department must investigate and Communicate the action taken against the defaulter to the P.A.C. The Ministry should submit a full report within one month and also make efforts to plug loopholes. The internal control system should also be strengthened.

2989. (d) *Tender Discrepancies.*—The P.A.C. directed that the cases should be investigated by the Department and full report furnished within one month. To make the internal control more effective the High Level Committee as suggested above should look into this aspect as well.

2990. (e) *Transportation of Wheat at higher rates Rs. 1,753,850.*—The department explained that 1100 Ton Wheat was to be imported from Argentine. Tenders were accepted at \$ 53 whereas an enquiry from Argentine revealed that wheat could be transported at \$ 40 per metric ton. Since the agreement had already been signed, the rate could only be brought down to \$ 47 per metric ton on negotiation.

2991. The Chairman observed, that the Committee should have enquired from Argentine also before entering into contract. An amount of \$ 177,000 was involved. The records may be called for. It may also be reported why the wheat was not transported through National Shipping.

2992. The PAC directed that an inquiry should be held by the department and detailed report forwarded to the PAC within a month. The names of members of the Committee which accepted the tender should be highlighted. Audit should also examine the relevant records further.

2993. (f) *Excessive rate paid Loss of Rs. 19,602,000.*—Audit pointed out that allowing a period of 12 hours in a deal for purchase of wheat, instead of 48 hours as required under the instructions of USDA, resulted in payment of excessive rates for transportation of wheat.

2994. The departmental representative explained, that this was a deal of 35 crores. In such cases market rates suddenly short up and thus actions were needed to be taken hurriedly. It was further stated that record will have to be consulted for details.

2995. The PAC directed that it was not satisfied with the explanation furnished by the Department. A thorough inquiry be held and records be called for from Washington for examination if so warranted.

2996. *Loss of Rs. 16,185,916 suffered in purchase and shipment of wheat due to the issue of a wrong directive (Para 22, page 129—AR).*—Audit had pointed out that loss was sustained due to appointment of shippers for transportation at higher rates, when lower rates were available for shipping. Similarly wheat was purchased at a higher rate, when lower offers were available.

2997. The departmental representative explained that the decision to employ shippers at higher rates was taken by the Council of Advisors of CMLA, and as such the action was regular.

2998. The PAC, after discussion, felt that it might become necessary for them to examine all the facts & records, including the members of the Advisory Council of CMLA, which took the decision in the case. However, the PAC would indicate about further steps to be taken in the matter.

2999. The Justice Division may be requested for advice about calling the members of the then Advisory Council of CMLA for making their statement before the PAC. The paragraph was deferred.

3000. *Loss of Rs. 3,746,655 not regularised (Para 23, pages 130-131—AR).*—Audit pointed out that government sustained a loss due to non-acceptance of lower rates of shipment and higher rates were subsequently accepted.

3001. The departmental representative explained that the lower tenderer did not submit a performance bond and later on telephone stated that his bid may not be considered as valid.

3002. The PAC however did not accept the explanation as amount of \$ 4.50 lac was involved and directed that the records pertaining to this case may be summoned from Washington. The Ministry may enquire into the case and report of PAC within one month.

3003. The paragraph was deferred.

COMMERCIAL ACCOUNTS

3004. *Irregular/un-necessary expenditure of Rs. 0.543 Million on wheat study agreement with a firm (Para 21, page 30-ARCA).*—The paragraph was dropped subject to verification by Audit.

3005. *Replies under verification.*—Replies of the department to the following paras was under verification by Audit. These would be reported back to the Committee subsequently, if necessary:—

<i>Para No. of Audit Report.</i>	<i>Page No. of Audit Report.</i>
17(ii)	111
20	128
24	131

3006. *Compliance Report for 1979-80 (Para 1443, page 386—PAC Report 1979-80).*—The PAC that earlier directed that the excess of Rs. 10,808 required to be recovered from NWFP government should be recovered and Audit was directed to watch it.

3007. The matter was still under correspondence with NWFP government and had not yet been finalized.

3008. The PAC directed that directives of the committee should be taken care of. The matter may be expedited.

3009. Replies to following paras were under verification by Audit. These would be reported back to the Committee, if necessary:—

<i>Para No. of PAC Report of 1979-80</i>	<i>Page No. of PAC Report of 1979-80</i>
39-40	12
1415(ii)	381
1435-1436	384
1453—1457	387-388

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 1st September, 1986

Fourteenth sitting (PAC)

*938. The Public Accounts Committee assembled at 0230 P.M. in the Parliament Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present:—

P.A.C.:

- | | |
|---|------------------|
| 1. Sardarzada Muhammad Ali Shah, M.N.A. | <i>Chairman.</i> |
| 2. Sardar Aseff Ahmed Ali, M.N.A. | <i>Member.</i> |
| 3. Rai Arif Hussain, M.N.A. | <i>Member.</i> |
| 4. Ch. Muhammad Sarwar Khan, M.N.A. | <i>Member.</i> |
| 5. Nawab Muhammad Yamin Khan, M.N.A. | <i>Member.</i> |
| 6. Malik Said Khan Mahsud, M.N.A. | <i>Member.</i> |
| 7. Shahzada Jam Muhammad Yusuf, M.N.A. | <i>Member.</i> |

National Assembly Secretariat:

1. Mr. M. A. Haq, Secretary.
2. Ch. Abdul Qadir, Joint Secretary.
3. Mr. Muhammad Aslam, Deputy Secretary.
4. Mr. Gulzar Ahmed, Officer on Special Duty.

Audit:

1. Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
2. Mrs. Suraiya Hafeez, Deputy Auditor General (CA).
3. Syed Iftikhar Shabbir, Deputy Auditor General (Co-ord)
4. Mr. A. A. Zaidi, Deputy Auditor General (A&R).
5. Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
6. Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.
7. Mr. A. R. Farooqi, Director of Audit (IS&F).

*Paragraphs upto 937 pertain to other Ministries/Divisions.

Ministry of Finance:

1. Mr. Masood Ahmed, Deputy Secretary.
2. Mr. Shamsul Haq, FA (Food & Agriculture and Religious Affairs and Minorities Affairs).

939. *Accounts examined.*—Accounts pertaining to the Ministry of Food and Agriculture were examined by the Committee during the course of the day.

MINISTRY OF FOOD AND AGRICULTURE

940. The Committee first took up for examination, the appropriation Accounts etc., pertaining to the Ministry of Food and Agriculture. The following departmental representatives were present:—

1. Mr. F.K. Bandial, Secretary .
2. Mr. Muzaffar Ahmed, Additional Secretary .
3. Ch. M. Zafar Ellahi, Joint Secretary (L).
4. Mr. Inamul Haq, Joint Secretary (F).
5. Mr. M. Tariq Janjua, Joint Secretary (A).
6. Mr. M. Mahmud, Deputy Secretary (AI).
7. Syed Mohsin Rizvi, Director (FDFI).
8. Mr. K.A. Siddiq Alma, (Agricultural, Livestock & Marketing Adviser).
9. Dr. Abdul Kafi, Director to Adviser Plant Protection.
10. Syed Irfan Ahmad, Director General Seed Certification.
11. Mr. M. Iqbal Sheikh, Director General Pak Forest Institute.
12. Mr. Sajid Hussain, Deputy Solicitor (Justice Division).

941. This Ministry controlled the following grants:—

S. No.	Name of Grant	Grant No.
1.	Food & Agriculture Division	51
2.	Forest	52
3.	Plant Protection Measures	53
4.	Other Agricultural Services	54

S. No.	Name of Grant	Grant No.
5.	Zoological Survey Department	55
6.	Livestock Division	56
7.	Islamabad Milk Plant	57
8.	Fisheries.	58
9.	Other Expenditure of Food and Agriculture Division . .	59
10.	Capital Outlay on Purchase of Food	126
11.	Capital Outlay on Purchase of Fertilizers	127
12.	Development Expenditure of Food and Agriculture Division	148
13.	Development Expenditure of Livestock Division	149
14.	Capital Outlay on Food Storage and Other Works	181

942. *Reconciliation of Accounts with Audit.*—It was pointed out to the Committee that the Reconciliation work pertaining to this Ministry for the year 1985-86 has not been kept up-to-date. In certain cases, it had not as yet been started. The Committee directed that the reconciliation of figures with Audit should be up dated without any further delay.

APPROPRIATION ACCOUNTS

943. *Grant No. 51—Food and Agriculture Division (Page 347-AA).*—This Grant closed with a net excess of Rs. 44,588 which was adjudged as nominal by the Committee and no further observation was made.

944. *Grant No. 52—Forest (Page 356—AA).*—There was a net saving of Rs. 9,324. The Committee did not make any observation on it.

945. *Grant No. 53—Plant Protection Measures (Page 358-AA).*—This Grant showed a net saving of Rs. 10,106,294. The Department explained that an amount of Rs. 4,878,100 was surrendered on 10th May, 1983 in order to obtain technical Supplementary Grant under Grant No. 51. Similarly another amount of Rs. 7,029,900 was retained beyond 31st March, 1983 to obtain a Supplementary Grant. These surrenders were not incorporated while working out final grant by Audit. It was, however, pointed out by Audit that the

contension of the Department was not correct and the amount stated to have been surrendered after 31st March, 1983 was not approved by the Finance Division.

946. On a question from the Chairman, PAC, the Department while explaining the functioning of Plant Protection Department stated that plant protection was mainly Provincial activity, and the Department rendered services to the Provinces on their request. All the plant protection work had been transferred to the private sector and only aerial spray was done by the Department. If any Province wanted its services these were paid by them except for Baluchistan. The Cabinet had further now decided that the Baluchistan Government should also pay for the services. The Committee did not make any further observation.

947. *Grant No. 54—Other Agricultural Services (Page 360-AA).*—There was a net saving of Rs. 8,269,605 which worked out to 12% of the Final Grant. The Department explained that the saving occurred due to non-release of funds by the Ministry of Finance during April-May and thus the amount could not be utilized. The representative of the Finance at this point admitted that certain releases could not be made due to resources constraints. The Committee accepted the explanation of the Department.

948. *Grant No. 55—Zoological Survey Department (Page 362-AA).*—There was no variation between Final Grant and Actual. The Committee did not make any observation.

949. *Grant No. 56—Livestock Division (Page 364-AA).*—A net excess of Rs. 864,086 was shown under this Grant which was about 40% of the Final Grant. The Department explained that the excess was nominal except for an excess of Rs. 694,050 which was due to belated adjustment of debits on account of procurement of laboratory equipment. Audit confirmed belated adjustment of Rs. 694,050 and observed that supplementary grant would have been obtained for the remaining excess well in time. The Committee after going through the explanation recommended the excess for regularisation and desired that a study report on future planning of the livestock development in the country should be furnished.

950. *Grant No. 57—Islamabad Milk Plant (Page—369-AA).*—The grant showed a net saving of Rs. 1,520. The saving being petty, the Committee did not make any observation.

951. *Grant No. 58—Fisheries (Page 370-AA).*—In this case there was a net saving of Rs. 921,673 which was 19% of the Grant. The Department partly

attributed, this saving, to exclusion from the actual expenditure of an amount of Rs. 238,146 pertaining to the year 1981-82 which the Audit confirmed. The Committee did not make any further observation on it.

952. *Grant No. 59—Other Expenditure of Food and Agriculture Division (Page 350-AA).*—According to Appropriation Accounts there was a net saving of Rs. 2,661,235 under this Grant. The Department explained that the saving occurred due to retention of Grant meant for Roti Corporation of Pakistan, Agricultural Price Commission, three Plantation Campaign and National Horticulture Society, to meet certain pending claims, but the claims were not finally approved up to the close of the year. The amount also could not be surrendered before the authorised date. The Committee considered the explanation as satisfactory.

953. *Grant No. 126—Capital Outlay on Purchase of Food (Page 372-AA).*—According to the Appropriation Accounts the Grant closed with a net excess of Rs. 1,229,742. The Department explained that the excess was due to excess booking of expenditure by Director of Audit, Industry Supply and Food and C.A.O; Ministry of Foreign Affairs. The Department could not substantiate their explanation as per explanation given in the working paper. The Chairman observed that their appeared some error in the figures as provided in the explanation. The Department could not explain the queries. The Committee directed that Audit should verify the fact given in the explanation.

954. *Grant No. 127—Capital Outlay on Purchase of Fertilizers (Page 374-AA).*—There was a saving of Rs. 132,954,848 which was more than 5% of the grant. The Department intimated that the estimates for purchases to be made during the year were increased from 428,000 M/Tons to 663,236 M/Tons. Consequently Supplementary Grant of Rs. 1,000,675,000 was applied and was received on 28-5-83 which covered excess expenditure made up to that time and there was no time left to surrender the balance amount, hence saving. The Committee accepted the explanation.

955. *Grant No. 148—Development Expenditure of Food and Agriculture Division (Page 351-AA).*—Audit while pointing out a net saving of Rs. 64,593,239 under this Grant, observed that the Department had not given any explanation for overall savings. The Department in their reply stated that reasons for saving of Rs. 37,116,407 had been given in the brief of Agriculture Research Division which will be considered alongwith the accounts of that Division. The explanation for the remaining saving has been given under each function and object.

956. The Committee directed that the Agriculture Research Council should make a presentation on its activities and its future programme to acquaint members of the Committee. Audit should undertake evaluation of few research projects to see, if it was cut effective.

957. *Grant No. 149—Development Expenditure of Livestock Division (Page 366-AA).*—There was a net saving of Rs. 11,215,736 under this grant. Audit in this case again pointed out that overall position of the Grant had not been explained. The Department attributed the saving to non-approval of the scheme "Korangi Fisheries Harbour Project" and due to non-receipt of vouchers from UNDP. It was further reported that the debits generally came through Economic Affairs Division. The amount was surrendered. The representative of the Finance pointed out that these amounts were surrendered in May, 1983 instead of March, 1983 as such were not accepted. The PAC accepted the explanation.

958. *Grant No. 181—Capital Outlay on Food storage and Other Works (Page 376-AA).*—There was a saving of Rs. 145,075,546 which was 57% of the Final Grant. The Department reported that the main saving of Rs. 142,736,324 was under Head 600 Transfer Payment. An amount of Rs. 250,058,000 was provided for PASSCO and other agencies for construction of grain godowns throughout the country but this amount could not be fully utilised for non-completion of necessary formalities for estimating costs, selecting sites and calling for tenders etc., which were pre-requisites. However, to start the Project an amount of Rs. 107 million was utilised during the entire financial year 1982-83. The Department tried its utmost to speed up the works. The quality of construction was also appreciated by the Engineers. The remaining amount could not be surrendered in time as the projects were scattered all over the country and correct progress could not be estimated well in time.

959. The Chairman PAC at this point wanted to know the percentage of losses. The Department reported that these losses were estimated up to 3% due to various causes. The storage capacity available was also found to be unsatisfactory as such another project for undertaking repairs was launched. The Chairman PAC observed that the Committee would like to have a report on the subject from the Ministry.

AUDIT REPORT

960. *Loss of Rs. 53.9 Million due to shortages and damage of Food Stuffs (Para 1, Page 40-AR).*—According to the Audit Report, shortages and damages of Wheat, Maize etc., in 51 cases totalling 18,994.709 M/Tons valuing

Rs. 53.9 Million were noticed during Audit of Accounts of State Trading Scheme of Food Stuff for the year 1966—68 and timely and effective steps were not taken by the Department. The Department explained that these were very old cases and the record pertaining to the Audit Para could not be located. All out efforts were being made to trace out the old records and to finalise the cases. On a question from the Chairman it was further reported that the records pertaining to 72,000 Tons had already been located and the certificate pertaining to the despatch of wheat to different quarters were being obtained. Records relating to the balance quantity had not so far been located and efforts were being made to locate them. The Committee after going through the explanation of the Department directed that the matter should be finalised without any further delay.

961. *Loss of \$ 75,800 on short-landing and damaged stores [Para 2 (i), Page 40-AR].*—It was pointed out by Audit that a quantity of 307,500 M/Tons valuing \$ 50,661 was short-landed and adjusted against the demurrage claim of the ship. The supplier did not accept the adjustment and served the legal notice. The deduction was held irregular and amount refunded to the suppliers under the advice of the Law Division. Again there was a net shortage of 151.299 M/Tons due to seepage of water. Thus shortage of shortlanding weighing 458.799 M/Tons valuing \$ 75,816 remained unsettled. The Department explained in reply to the Audit Objection that the case was entrusted to a Joint Secretary of Establishment Division for investigation who had completed his inquiry report which was under examination with the Department. During the Meeting, the Department, However, admitted that this reply was incorrect and this case was never referred to the Joint Secretary inquiries. It was, however, explained that originally a deduction of \$ 50,661 was made. The Justice Division, however, held that such deduction could not be made. The Department was now preparing to lodge a claim against the supplier as the shortages were his responsibility. Audit, however, pointed out that the claim which was withdrawn as intimated by the Department in their reply was being lodged again. There was no fun in withdrawing it if it were to be lodged again.

962. The Chairman PAC remarked that these were old cases and Department had not so far gone to the Court of Law; the Department must fix responsibility for delayed action. The Department replied that the Advocate had been asked to file a suit as expeditiously as possible. It was further reported that it was Jaffar Brothers who were the main suppliers and dealers in fertilizers.

963. The Committee directed that the names of persons responsible for the delay in this case may be communicated to PAC within 15 days. The Committee will examine these cases, on hearing explanation of the officers involved. The date of hearing will be fixed by the Committee and all concerned in the Department be asked to appear.

964. *Shortages of Fertilizer—Rs. 3.99 Million [Para 2 (ii), Page 40-AR].*—Audit pointed out that shortages of 3,428 M/Tons occurred in 14 consignments of imported fertilizer handled at Karachi Port involving a loss of Rs. 3.99 Million which remained uninvestigated and un-regularised. The Department explained that these ships arrived during the period July, 1973 to November, 1973. The Board of Inquiry constituted in February, 1985, recommended that it was not in fact a shortage; certain quantities remained unaccounted for due to defective weighment system and some quantity was lost during handling and damaged due to rains. It was suggested that the amounts being irrecoverable may be written off. The Chairman observed that the Audit pointed out loss during February, 1981 but the inquiry was constituted in February, 1985, the delay of 4 years should also be accounted for. Audit observed that FDFI was presently importing fertilizer. They should ensure that these things should not happen in the current imports. The Committee directed that this para will also be considered alongwith para 2 (i) above and directives of the Committee in that case also apply to this case.

965. *Loss of Rs. 4,023,779 by Damage and Short-landing [Para 2 (iii), Page 40-AR].*—As per Audit, in the case of shipment of 14,427 M/Tons reached in March, 1981. The Departmental surveyor declared that 1,080,919 Tons fertilizer was damaged due to leakage of sea water and another 429,931 Tons was short-landed resulting in a loss of Rs. 4,023,779. The stores were insured by the supplier due to ship being 20 years old. The claim was reduced by the Department by 50% without authority. The performance bond of \$ 964,900 was returned to him and another bond of \$ 261,072 obtained which was also not encashed. The Department reported that the case was under investigation. The first report was on estimates and could not be considered as survey report. The Committee after considering the explanation of the Department directed that the reasons for 4 years delay alongwith the names of the officers responsible for it must be given so that the case be examined by the PAC. Paragraph was deferred.

966. *Loss of Rs. 342,278 on shortages of 160.191 M/Tons [Para 2 (iv), Page 41-AR].*—In this case again a ship discharged the full manifested quantity of Nitrophas fertilizer in October, 1978, but the final despatch statement indicated a shortage of 160.191 M/Tons valuing Rs. 342,278. The Department explained that the matter was under investigation. The Committee after considering the explanation of the Department directed that the directive of the PAC against Para 2 (i) above will also apply in this case.

967. *Loss of Rs. 127,525 for short-landing of imported fertilizer [Para 2 (v), Page 41-AR].*—Audit pointed out that the shortage of 71.224 M/Tons fertilizer valuing Rs. 127,525 received during 1977-78 remained unrecovered

from the defaulting party. The Department explained that the matter first remained under inquiry and then its report was sent for examination by the Ministry. The PAC directed that the names of the persons responsible for the delay of these cases may be communicated to PAC within 15 days. The Committee will examine these cases, on hearing the explanations of the Officers involved. The date of the hearing will be fixed by the Committee and all concerned in the Department be asked to appear.

968. *Non-recovery of Rs. 1.8 Million as Shortages [Para 2 (vi), Page 41—AR].*—In this case a shortage of 1223.344 M/Tons valuing Rs. 1,718,171 was noticed in two consignments of imported fertilizer in July, 1973. The Committee directed that its directive under Para 2 (v) above would apply in this case also.

969. *Shortages/Damages at Port Rs. 2.09 Million [Para 2 (vii), page 42-AR].*—As per Audit Report a shortage of fertilizer amounting to Rs. 1,129,964 was declared in June, 1980. Similarly a quantity of 198 Tons was despatched as damaged allowing rebate of 40% of the subsidized price causing further loss of Rs. 141,714. The Department in this case again explained that the matter was under inquiry. The committee directed that its directives under para 2(v) above would apply in this case also.

970. *Loss of Rs. 8.864 Million on Account of Shortages, Damages [Para 2(viii), page 42-AR].*—According to Audit Report, fertilizer valuing Rs. 8.864 Million was declared short in 1980-81 which included a loss of Rs. 0.84 Million due to sweeping. In this case the Department again held that the matter was under examination with the Ministry. The Committee directed that its directives under Para 2(v) above would apply in this case also.

971. *Loss of Rs. 5.75 Million due to shortages and damages [Para 2 (ix), page 42-AR].*—Audit pointed out that in 4 consignments fertilizer valuing Rs. 5.53 Million were found short during 1980-81. Besides there was an additional loss of Rs. 226,268 due to sweeping. The Department stated that the inquiry report in this case was under Examination with the Ministry. The Committee directed that its directives under para 2(v) above would apply in this case also.

972. *Loss of Rs. 1.958 Million on Accounts of Short-landing/Shortages and Damages [Para 2(x), page 43-AR].*—As per Audit a claim of Rs. 1009,511 was lodged with the Shipper on account of short-landing in the case of 11 consignments. Similarly in 9 other cases shortage of Rs. 813,280 was declared. In another case a quantity of 272 Tons was despatched as sweeping and rebate of 30% of subsidies on issue price was allowed, resulting in a further loss of

Rs. 134,809. The Department explained that the inquiry held was under examination with the Ministry. The Committee directed that its directives under para 2(v) above would apply in this case also.

973. *Loss of Rs. 5.533 Million due to Shortlanding/Shortages and damages [Para 2(xi), page 43-AR].*—In this case again fertilizer valuing Rs. 5.533 Million were shortlanded and was found damaged in 5 consignments during 1980-81. The Department explained that the inquiry in this case was under examination with the Ministry. The Committee directed that its directives under para 2(v) above would apply in this case also.

974. *Loss due to damages to Gunny Bags. [Para 3(i), page 43-AR].*—Audit pointed out that in July, 1983, a handling agent provided 1.6 million gunny bags. Of which 48547 were treated as unserviceable, and were disposed off at reduced cost which resulted in loss of Rs. 362,646. The percentage of bags declared unserviceable was 3%. The Department in their reply explained that under the contract, handling agent supplied 1,639,240 bags for bagging, out of which 48,547 bags were declared unserviceable which were disposed off for Rs. 122,823 and cost therefor was recovered. This was normal loss and was covered by the incidental charges to be recovered from the Provincial Government through the price charged. Audit, however, held that there should not be so much wastage in new bags. A quantity of 41,000 bags was sold as unserviceable and 12,000 bags were not accounted for. The Committee after going through the explanation settled the paragraph subject to verification by Audit.

975. *Loss of U.S. \$ 5.58 Million in purchase and shipment of wheat (Para 4, page 44-AR).*—According to the Audit Report a loan of U.S. \$ 18 million was authorised in November, 1974 for purchase of wheat with the delivery period from 11th December, 1974 to 15th February, 1975. The purchase authorisation was received by the Mission on 14th December, 1974. The Food Wing of the Mission, however, floated tenders at a day's notice for purchase of 100,000 tons of wheat against the above loan on 9th December, 1974. Since tenders gave only one day notice the supplier and shippers quoted higher rates which were accepted. The Foreign government objected to the higher rates, as a result, one of the three shippers reduced his rate from U.S. \$ 20 per M/Ton to U.S. \$ 18.30 per M/Tons. This action of the Mission resulted in also to Government, which was required to be investigated. The Department in their reply stated in June, 1982 that local telecommunication system was effective enough to contact suppliers in a day and that there was condition of PL-480 that only one day should be given for floating the tenders. All Vessels were booked and wheat was purchased on 11th December, 1974 on competitive freight rates at prevailing normal wheat prices. Audit, however, did not admit the reply as the deal involved an

expenditure of Rs. 18,000,000 and contested that there was no such condition of one day's notice. The Department, however, narrated in reply that it was not justified to compare the rates with rates of 1975.

976. On a question from the Chairman, the Department stated that the Tender Committee consisted of Ambassador as Chairman and Economic Minister, Finance and Accounts Officer and Food Councillor as Members. It was further intimated that the records pertaining to tenders were at Washington, no enquiry was possible in absence of records. The Chairman PAC observed that the Committee would like to hear the version of the Members of the Committee and would like to know the reasons for short notice. The Committee directed that the facts of the case may be put up before the Committee. It would be considered alongwith para 2(i).

977. *Annual Audit Reviews on Performance of Food Department (Para 9, page 47-AR).*—Audit pointed out that out of 76 un-audited files, 42 files remained outstanding for Audit at the end of 1982-83 due to their non-supply by the Department. This figure was subsequently corrected to non-production of 53 contract files out of 87 contract files pertaining to Food Department which had not been supplied for Audit scrutiny. The Department explained that some of the files have been traced out and were being produced to Audit. The Committee directed that the remaining files should be produced within one month and compliance reported.

978. *Non-execution of contract loss of Rs. 2,390,850 (\$ 241,500) (Para 10, page 52-AR).*—Audit pointed out that supplies against a contract with a Korean Firm could not be made as local agent did not fulfil his obligations. Performance bond of Rs. 26.9 million could not be encashed because of a stay order by the Court. The Department did not take timely action to register liquidated damages claim and to cancel the contract. The Department explained in reply that immediately on the failure of the agent to perform his contractual obligations, the steps for encashment of performance bond were taken but the firm obtained a stay order from the High Court. Thus the performance bond could not be encashed as the case was subjudice. The Chairman PAC pointed out that Law Division had requested through a circular to all Chief Justices of Provincial High Courts to get the cases pertaining to recovery of Government dues expedited. The Department intimated that they had pressed their Advocate to get early hearing. The Committee deferred the paragraph and directed that the case may be pursued vigorously.

979. *Loss due to damages of Bags Rs. 2.8 Million [Para 12(i), page 52-AR].*—It was pointed out by Audit that empty bags valuing Rs. 2,875,282 were

damaged due to rough handling by the Stevedores for which no penalty was imposed. The Department pointed out that the damage of bags was within the limit of 2% if taken on overall basis but since it was in 25 cases only it was more than 2%. The Committee accepted the explanation of the Department and settled the paragraph.

980. *Misuse and Un-authorized utilisation of Empty Bags of Rs. 2.299 Million [Para 12(ii), page 53-AR].*—In this case Audit pointed out that 383,183 empty polythene bags valuing Rs. 2.299 million were utilised during 1980-81 for filling holes in wagons supplied by Railway for despatching of imported fertilizer received in 44 Ships. This was tantamount to misuse of stores. The Department explained that during the period 1979—81 F.D.F.I had to handle large quantity of fertilizers which were imported. The Department had two alternatives either to keep it on Ships and allow damages or to unload and expedite its despatch. The Committee having found the explanation of the Department as satisfactory, settled the paragraph.

981. *Loss of Rs. 32,000 for non-receipt of stores by the consignees [Para 12(iii), page 53-AR].*—According to the Audit Report, 800 bags of imported fertilizer valuing Rs. 32,000 despatched by Rail from Karachi in January, 1974 were not received by the consignees. The Department explained that these were losses in transit which was not the responsibility of the Department. All consignments were despatched at the risk and cost of consignees. The committee accepted the explanation and settled the paragraph.

982. *Non-recovery of marking charges, shortlanding etc. Rs. 337,055 (Para 13, page 53-AR).*—Audit pointed out that against contract of supply of fertilizer, the Department incurred a loss of Rs. 337,055 which was recoverable from U.S. Supplier. The loss occurred in 1980-81, but matter was taken up with the Pakistan Mission in Moscow in April, 1986. The Department explained that the Justice Division proposed to appoint an arbitrator in Moscow. Feasibility of appointment of such an arbitrator in Moscow was under examination with the Government. The Committee, after hearing the Department, settled the paragraph subject to verification of recovery by Audit.

983. *Non-recovery of claims for Rs. 1.71 Million (Para 17, page 54-AR).*—As per Audit Report Rs. 1.711 Million account of despatch earnings and customary fee in respect of 17 consignments of fertilizer received during 1979-80 were not recovered from the Ship owners or shipping agent. The Department intimated that as the amount of Rs. 1.71 Million could not be recovered from the Ship owners they had with held the claims of the Ship owners also to the extent of U.S. \$ 151,590. It was further decided during meetings in the Ministry that the demurrage claim should not be linked with the outstanding bills. The prescribed

legal procedures were being adopted to settle the disputed claims. A Joint memorandum of understanding with Iraq was formulated. In accordance with decision of Justice Division dated 12/85, first tariff was given on 20th June, 1986. There had been no response to the reference made to the Foreign party. Embassy of Pakistan had to locate the party, the matter was being pursued vigorously. The Committee directed that the case may be finalised; the facts should be got verified by Audit; the paragraph was settled.

984. *Loss in purchase of wheat seed U.S. \$ 1.4 Million (Para 18, pages 54-55-AR).*—Audit pointed out to the Committee that in 1975, a shipment of 200 M/Tons of wheat seed was arranged but the proposal was dropped on receiving the revised requirements of the Provincial Governments. In the same year, the Agriculture Enquiry Committee decided to import 17,000 M/Tons of seed. A rate of \$ 300 per M/Tons was offered. The Mission reinvited the bids and accepted higher rates (but not from all the dealers on the approved list). Mission was also not advised by the Ministry that certain suppliers had offered a rate of \$ 300 per M/Tons. Thus the failures on the part of Ministry of Agriculture to correctly assess the requirements and not communicating the information available with them, and Mission's decision to restrict the bids to selected suppliers resulted in a loss of \$ 1.4 Million. The Department in reply pointed out that this was a national loss and no body could be held responsible for this presumptive loss. The offer of the rate of U.S. \$ 300 per M/Tons were only verbal. After a detailed discussion the Department admitted that it was also a one day notice which was not justified. Since the Department had no justification for a short tender notice, the Committee deferred the paragraph to be considered alongwith other inquiry cases.

985. *Loss of U.S. \$ 430,538 due to purchase of stores at higher rates (Para 19, page 56-AR).*—Audit in this case pointed out that in June, 1978, 3 contracts for import of fertilizer at varying rates were entered into. The firm offering the lowest rate, however, backed out demanding escalation which was not granted. The cancelled quantities were purchased at a higher rate through the second lowest contractor without inviting tenders at the risk & cost of the lowest bidder. The Government thus lost \$ 430,538 in the process, as the penalty could not be legally recovered and even the performance bond could not be encashed. The Department explained that offer of the lowest tender was accepted but he backed out and the performance bond was claimed from the National Bank who referred it to the Banking Council. In the meantime, the contractor went to the Court of Law. Ministry of Finance decided not to encash the performance bond, being the National Bank a Government Organisation. The case was in the Court of Law and the last hearing was fixed on 15th April, 1986. The Department expected to recover an amount of Rs. 149,000 through the performance bond.

986. The Chairman pointed out that the Department should explain the situation under which it was not put to re-tender. The Department replied that requirements were of urgent nature and as such could not be put to tender again. Audit was, however, of the view that the decision of the Finance was also disputable. The Committee directed that the Department should hold enquiry and should be careful in future.

987. *Loss due to in-expedient shipping arrangements U.S. \$ 141,576 (Para 20, page 56-AR).*—As per Audit, a Foreign Government offered a wheat gift of 105,000 M/Tons in May, 1976. the shipping contractors transported major part of this quantity leaving 12,311 M/Tons as per their obligation. The Foreign Government advised Pakistan Mission to approach another friendly country to allow combination of Cargo. The permission was granted but was shelved by the Mission. Instead, another shipper was engaged which resulted in excess payment of \$ 141,576. The Department in their reply reported that the Combination of Cargo was found very difficult keeping in view the left over quantity and the Mission tried its utmost to find out a ship of best economical rates. It was further argued that there was no loss involved in this case. The Committee directed that the Department should get the facts as reported to the Committee verified from Audit; the paragraph was settled.

988. *Recoveries not effected U.S. \$ 751,468 (Para 21, page 57-AR).*—Audit in this case pointed out that Food Wing of a Mission abroad had to recover an amount of U.S. \$ 751,468, in four cases from a foreign supplier of wheat and three ship companies for late supply of wheat, despatch money, overpaid freight charges and the cost of wheat damaged. The Department reported that three cases had been settled and the 4th was being pursued. The Committee directed that Audit should watch the recovery and subject to verification, the paragraph was dropped.

989. *Fertilizer damaged at Port loss of Rs. 410,425 (Para 22, page 57-AR).*—Audit pointed out that fertilizer imported by the Department in July, 1979 was damaged by rains at the port for want of proper protection arrangements. The damaged fertilizer was sold at 50% price without sanction of the competent authority which resulted in a loss of Rs. 410,425. The Department explained that the case was entrusted for inquiry to the Joint Secretary of the Establishment Division and his report was under examination. The Committee directed that inquiry report should be submitted to the PAC and the paragraph was deferred for consideration alongwith para 2(i).

990. *Extra expenditure of Rs. 144,736 incurred on damaged wheat (Para 23, page 57-AR).*—Audit reported that 1700 M/Tons of wheat was damaged by

rains for which handling agent were responsible, as the responsibility for protection was that of handling agent as per agreement. The handling agent was paid additional charges of Rs. 144,736 for restaking, etc, which should have been borne by the handling agent. The Department reported that according to the contract handling agent was responsible to take pre-cautionary measures which were taken by him to the satisfaction of the Department. This expenditure was incurred due to continuous rain fall from 15th July, 1976 to 7th September, 1976. The Committee directed that the Department should satisfy the Audit who would verify the facts reported in the reply. Subject to these remarks, the paragraph was dropped.

COMMERCIAL ACCOUNTS

991. *Roti Corporation of Pakistan [Para 3 (18), page 10-ARCA].*—Audit pointed out that accounts for the year 1981-82 to 1982-83 were not compiled by the Corporation. It was, however, reported in the meeting that accounts up to 1984-85 had been compiled but the accounts for 1977-78 were only supplied to Audit on 22nd October, 1984. Accounts for the year 1978-79 and 1979-80, although certified by the Chartered Accountant had not been approved by the Board. The Accounts for 1980-81 were still under the process of Audit with the Chartered Accountant.

992. The Chairman wanted to know the position of upto date losses of this Corporation. The Departmental representative was not in a position to intimate the figures of losses. Similarly Audit also did not know as the Accounts were not submitted to them after 1978. The PAC after discussion recommended that the Government may consider liquidation of the Corporation to save itself from further losses. The upto date accounts should be furnished to Audit.

992-A. Roti Corporation of Pakistan was established as a private Limited Company in 1975. A private consultant M/S. MICAS ASSOCIATES were appointed as a turn-key consultant who installed 16 plants, 4 each at Karachi and Lahore, 2 at Faisalabad and 1 each at Hyderabad, Quetta, Bahawalpur, Multan, Islamabad and Peshawar.

The Corporation was established primarily to supply inexpensive and nutritious 'Roti' baked under modern hygienic conditions to the general public.

The Corporation had incurred an accumulated loss of Rs. 142.261 million as on 30-6-1986. The losses were accumulating at a rate of Rs. 10 to 13 million per annum.

The Committee examined the affairs of the Roti Corporation in depth. The representatives of Ministry of Food and Agriculture were of the opinion, that not only the Corporation had failed to achieve its objectives, even partially but also there was no likelihood in future of its becoming financially viable. The Committee, therefore, directed that the Corporation should immediately be disinvested and liquidated so that the tax payers are saved of constant unproductive burden. The Committee directed the Ministry of Food and Agriculture to keep the Committee informed of the progress in this regard.

993. Following enquiry reports submitted by the Ministry were deferred for consideration subsequently:—

1. Shortages and damages in Food Stuffs—Rs. 194 million (Para 4 Audit Report 1981-82).
2. Loss of Rs. 4.96 million for irregular cancellation of Contract and overpayment of Demurrage (Para 12 Audit Report 1981-82).
3. Loss of Rs. 4.41 Million due to shortages during unloading and despatches of Fertilizer [Para 14(i) Audit Report 1981-82].
4. Loss due to heavy shortages and damages at port Rs. 2,116,119 [Para 14(ii) Audit Report-1981-82].
5. Loss due to occurrence of extra expenditure on salvage charges and shortages at port Rs. 8,053,425 [Para 14(iii) Audit Report 1981-82].
6. Shortages and damages at port—loss of Rs. 766,499 [Para 14(iv) Audit Report 1981-82].
7. Loss of Rs. 2.99 million due to shortlanding of imported fertilizer [Para 14(v) Audit Report 1981-82].
8. Loss of Rs. 1,957,933 for want of correct action [Para 14(vi) Audit Report 1981-82].
9. Irregularities in recovery of shortlanding claim—Rs. 939,015 [Para 14(vii) Audit Report 1981-82].
10. Short-landing case not handled properly—loss of Rs. 2,566,922. [Para 14(viii) Audit Report 1981-82].
11. Claim for shortlanding stores, liquited damages etc. remained unsettled (Rs. 2.5 million) [Para 14(ix) Audit Report 1981-82].
12. Audit Review of the Performance of the FDFI for 1981-82 (Para 18 Audit Report 1981-82).
13. Loss of Rs. 1,157,590 due to defective tendering [Para 21(3) (i) Audit Report 1981-82].

14. Loss of Rs. 2,367,743 due to defective tendering [Para 21(4) (i) Audit Report 1981-82].
15. Loss not regularised [Para 21(5) Audit Report 1981-82].
16. Loss of Rs. 19,602,000 due to defective planning in tendering [Para 21(19) Audit Report 1981-82].
17. Loss of US \$ 378,450 not regularised (Para 23 Audit Report 1981-82).

994. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points/paras in the Appropriation Accounts, Audit Report (Civil and Commercial) thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 3rd September, 1986

Sixteenth Sitting (PAC)

*1035. The Public Accounts Committee assembled at 9.00 A.M. in the Parliament Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present:—

P.A.C.:

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| 1. Sardarzada Muhammad Ali Shah, M.N.A. | <i>Chairman.</i> |
| 2. Sardar Aseff Ahmed Ali, M.N.A. | <i>Member.</i> |
| 3. Rai Arif Hussain, M.N.A. | <i>Member.</i> |
| 4. Ch. Muhammad Sarwar Khan, M.N.A. | <i>Member.</i> |
| 5. Mr. Shahabuddin Shah Hussainy, M.N.A. | <i>Member.</i> |
| 6. Nawab Muhammad Yamin Khan, M.N.A. | <i>Member.</i> |
| 7. Malik Said Khan Mahsud, M.N.A. | <i>Member.</i> |
| 8. Shahzada Jam Muhammad Yusuf, M.N.A. | <i>Member.</i> |

National Assembly Secretariat:

1. Mr. M.A. Haq, Secretary.
2. Ch. Abdul Qadir, Joint Secretary.
3. Mr. Gulzar Ahmed, Officer on Special Duty.

Audit:

1. Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
2. Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
3. Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
4. Mr. A.A. Zaidi, Deputy Auditor-General (A&R).
5. Sh. Muhammad Sadiq, Accountant General, Pakistan Revenues.

*Paragraphs upto 1034 pertain to other Ministries/Divisions.

6. Mr. Ahmad Nawab Qureshi, Director General Commercial Audit.
7. Mr. Iftikhar Ali Khan Raja, Director General, (A&A Works) Lahore
8. Mr. M. Saleem Siddiqui, Director General (Defence Audit).
9. Mr. Abdul Rauf Khan, AAO (IS & F).

Ministry of Finance:

1. Mr. Masood Ahmad, Deputy Secretary.
2. Mr. Shamsul Haq, FA (Food & Agriculture).

1036. *Accounts Examined.*—Accounts pertaining to the Ministry of Food and Agriculture were examined by the Committee during the course of the day.

MINISTRY OF FOOD AND AGRICULTURE

*1091. The Committee then took up for examination, the Audit Report etc; pertaining to the Ministry of Food and Agriculture. The following departmental representatives were present:—

1. Mr. F.K. Bandial, Secretary.
2. Mr. M. Tariq Janjua, Joint Secretary.
3. Mr. Inamul Haq, Joint Secretary.
4. Syed Mohsin Rizvi, Director (FDFI).
5. Mr. Sajid Hussain, Deputy Solicitor (Justice Division).

1092. Only Enquiry Reports pertaining to Audit Paras of the Ministry of Food and Agriculture were discussed during the meeting.

AUDIT REPORT

1093. *Loss of Rs. 4,023,779 by damage and shortlanding [Para 2(ii), page 40-AR].*—The Committee in continuation of their discussion dated 1st September, 1986 wanted to know the result of the inquiry held in this case. The important features of the inquiry report were read out to the Committee. The Committee after listening to the Department directed that inquiry report may be furnished to the Audit and a final report be submitted to the P.A.C.

*Paragraph upto 1090 pertain to other Ministries/Divisions.

1094. *Loss of Rs. 342,278 on shortages of 160.191 M/Tons [Para 2(iv), page 41-AR].*—In this case again the recommendation of the Inquiry committee were read out to the Committee. The Department explained that shortage of 56.897 M/Tons were held to be a normal loss of handling, and 103.294 M/Tons due to negligence. The Committee directed that the Ministry should expedite action on the inquiry report and apprise its position to the PAC in its next meeting with the Ministry.

1095. *Loss of Rs. 127,525 for shortlanding of imported Fertilizer [Para 2(v), page 41-AR].*—The Department explained that shortlanding in the case of first ship had been recovered and in the case of second ship these had been written off. A shortage of 8 tons written off had since been verified by Audit. The Committee again directed that Audit should verify the facts stated by the Ministry of Agriculture. The Department should, however, be very careful in replying to the Audit Paras as originally incorrect reply stating that the inquiry was with the Joint Secretary, (Inquiries), was submitted whereas it was not.

1096. *Non-recovery of Rs. 1.8 million as shortages [Para 2(vi), page 41-AR].*—In this case, the Department explained that the case had recently been submitted to Joint Secretary (Inquiries). The Chairman PAC took a serious notice of the fact that originally it was stated that the inquiry report was complete and it was under examination. The incorrect reply should not be submitted. The Department further reported that the case was sent for inquiry on 18th August, 1985. The PAC directed that the report of inquiry officer should be expedited and results of inquiry report submitted to PAC.

1097. *Shortages/damages at port—Rs. 2.09 million [Para 2(vii), page 42-AR].*—The Department explained the salient features of the case as established by the inquiry. The Committee directed that the Department should implement the recommendations of the inquiry officer and take disciplinary action against the officers who were held responsible for the loss. The compliance be reported to the PAC in its next meeting.

1098. *Loss of Rs. 8.864 million on account of shortages/damages [Para 2(viii), page 42-AR].*—The inquiry report was read out to the Committee wherein it was suggested to write off the losses. The PAC then directed that Audit should verify the facts as mentioned by the Department and Department should take action, the paragraph was defrred.

1099. *Loss of Rs. 5.75 million due to shortages and damages, [Para 2(ix), page 43-AR].*—The Department in this case reported to the Committee that

there was no shortlanding. The 68 Tons loss was due to port handling and defective weighment system. The Committee directed that Department should implement the decision of the inquiry report and Audit should verify the facts. The paragraph was deferred.

1100. *Loss of Rs. 1.958 million on account of shortlanding/shortages and damages [Para 2(x), page 43-AR].*—It was reported that the weigh bridge was defective. A member pointed out that the Department should have taken immediate action when defects were discovered. These defects were discovered in 1980. The N.L.C. also did not act inspite of a notice. The corrective measures were initiated in 1982. This aspect was also required to be looked into. The Committee directed that the Department might hold an inquiry regarding corrective steps taken after 1980 when the defects were noticed. The new methods adopted by N.L.C. may also be enquired into. The Department should review the organisational set up of FDFI to meet requirement of additional imports. Audit was requested to verify.

1101. *Loss of Rs. 5.533 million due to shortlanding and damages [Para 2(xi), page 43-AR].*—The inquiry Report alongwith the recommendation was read out in the meeting. The Department informed that there was a loss of Rs. 5.5 million in this case. The Committee directed that Audit should verify and the findings of the inquiry report should be implemented.

1102. *Fertilizer damaged at port—Loss of Rs. 410,425 (Para 22, page 57-AR).*—The recommendations of the inquiry report were brought to the notice of the Committee. Audit held that they will have to verify the figures supplied by the Department. Audit and Ministry of Food and Agriculture will sit together and settle the case. The Committee directed that the facts should be verified and necessary action should be taken on the report of the inquiry officer.

1103. The Committee then adjourned to meet again at 9.00 a.m. on thursday, the 4th September, 1986.

ISLAMABAD:
The 10th March, 1987.

M. A. HAQ,
Secretary.

there was no shortlanding. The 68 Tons loss was due to port handling and defective weighment system. The Committee directed that Department should implement the decision of the inquiry report and Audit should verify the facts. The paragraph was deferred.

1100. *Loss of Rs. 1.958 million on account of shortlanding/shortages and damages [Para 2(x), page 43-AR].*—It was reported that the weigh bridge was defective. A member pointed out that the Department should have taken immediate action when defects were discovered. These defects were discovered in 1980. The N.L.C. also did not act inspite of a notice. The corrective measures were initiated in 1982. This aspect was also required to be looked into. The Committee directed that the Department might hold an inquiry regarding corrective steps taken after 1980 when the defects were noticed. The new methods adopted by N.L.C. may also be enquired into. The Department should review the organisational set up of FDFI to meet requirement of additional imports. Audit was requested to verify.

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1103. The Committee then adjourned to meet again at 9.00 a.m. on thursday, the 4th September, 1986.

ISLAMABAD:
The 10th March, 1987.

M. A. HAQ,
Secretary.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 7th September, 1986

Eighteenth Sitting (PAC)

*1134. The Public Accounts Committee assembled at 9.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present:—

P.A.C.:

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| 1. Sardarzada Muhammad Ali Shah, M.N.A. | <i>Chairman.</i> |
| 2. Mr. Anwar Aziz Chaudhry, Minister for Local Government and Rural Development. | <i>Member.</i> |
| 3. Sardar Aseff Ahmed Ali, M.N.A. | <i>Member.</i> |
| 4. Rai Arif Hussain, M.N.A. | <i>Member.</i> |
| 5. Ch. Muhammad Sarwar Khan, M.N.A. | <i>Member.</i> |
| 6. Mr. Miangul Aurangzeb, M.N.A. | <i>Member.</i> |
| 7. Malik Said Khan Mahsud, M.N.A. | <i>Member.</i> |

National Assembly Secretariat:

1. Mr. M.A. Haq, Secretary.
2. Ch. Abdul Qadir, Joint Secretary.
3. Mr. Muhammad Aslam, Deputy Secretary.
4. Mr. Gulzar Ahmed, Officer on Special Duty.

Audit:

1. Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
2. Mrs. Suraiya Hafeez, Auditor-General (CA).
3. Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
4. Mr. A.A. Zaidi, Deputy Auditor-General (A&R).

*Paragraphs upto 1133 pertain to other Ministries/Divisions

1139. The Department reported that the records pertaining to this para were handed over by the Director of Accounts to Audit Officer at Karachi in April, 1986 for verification, and Auditor-General of Pakistan was also informed. The methodology of handling of imports at port was not properly explained earlier. The ships were kept out of port and off Shore Ship was used as Mother (Storage) Ship, the imports were brought to the port through lighter ships. Audit could verify the facts,

1140. Audit informed the Committee that partial verification of records had revealed that there was still shortage/losses of 78,337 tons wheat costing Rs. 14.19 millions, which remained unaccounted and un-investigated Rs. 5.8 Millions had actually been recovered as against Ministry's figures of Rs. 12.7 million. No action appears to have been taken to recover amount of Rs. 8.3 million.

1141. The Committee directed that Audit should verify the position stated in the Ministry's reply and come up with verified/agreed position. The Accounts of Ship should be examined/checked and a report submitted to the Committee. If there were any shortlandings the responsibility should be fixed by the Ministry. The paragraph was deferred.

1142. *Loss of Rs. 4.96 Million for Irregular Cancellation of Contract and Overpayment of Demurrage (Para 12, page 107-AR).*—The Committee in its earlier directive desired as under:—

- (a) The responsibility for loss should be fixed and names of those responsible should be intimated with full detail.
- (b) Names of Tender Committee should also be intimated.
- (c) Secretary, Food & Agriculture may submit a complete report within one month, which should be brief and to the point.

1143. The Auditor-General reported that—

- (A) The conclusions drawn by the Ministry in their reply (Part I) did not appear to be in line with the views of Tender Committee as recorded on 17th August, 1978 which read as under:—

“Although the contract did not contemplate reconfirmation of letter of credit from a Foreign bank but the party insisted on this reconfirmation and the Ministry tried to help the party but the reconfirmation could not be done. This resulted in delay in the fulfilment of the contract”.

(B) The event which ultimately led to the cancellation of the contract had not been analysed in detail. As a result the following questions have remained unanswered:—

- (i) What were the contractual obligations on the part of the Government in opening of a letter of credit?
 - (ii) Whether these obligations were met timely and adequately?
 - (iii) What was the nature of amendment asked for by the supplier? What material benefit was likely to be achieved through these amendments?
 - (iv) Were the proposed amendments in letter of credit within the frame work of the contract or beyond it.
 - (v) Were they not part of a considered move to wriggle out of contract?
 - (vi) Why the State bank of Pakistan declined to make amendment provisions in the L.C.?
 - (vii) Why Muslim Commercial Bank declined to make amendment provisions in the L.C.?
 - (viii) If both the supplier and the buyer were not at fault, the only other agency involved was the Muslim Commercial bank which as per Investigation Report failed to get the L.C. confirmed by a prime bank in London. What action was taken by the Ministry to recover the loss from the Bankers?
- (C) It has been stated that L.C. could not be established in time due to delay in the issuance of instructions by the Finance Division, but the reasons for delay have not been identified. The position therefore needs to be elucidated.

As for Part II, the Audit commented that:—

- (a) The report did not indicate as to what was the time period available for nominating the arbitrator and why the issue could not be decided by consultation at top level, with the Justice Division. There seemed to be a clear cut lapse on the part of the Ministry of Food and Agriculture on this account.
- (b) The supplier supplied exactly the same fertilizer which he had already procured against the previous contract referred to in Part I as is evident from the fact that the bags had been marked with the said contract number and date. This

indicated that the suppliers action to perform the previous contract (including the chartering of vessel) was already completed. As such the provision of \$ 2200 per day as demurrage was rightly written in the charter and was not a typographical error or a clerical omission.

1144. The Departmental representative accepted the view point of Audit and read out important points of Inquiry Report.

1145. On a query from Chairman PAC, -Audit further reported that there was a loss of Rs. 4.96 Millions and that instead of retendering and allotment of work to the same contractor, the work could have been carried out at risk and cost of the contractor.

1146. The Committee after a detailed discussion, directed that Members of the Tender Committee may be called to appear before the PAC in its next meeting. The second part of the Para will also be considered alongwith first part. The case may be taken up with Members of Tender Committee.

1147. *Loss of Rs. 4.41 Million due to Shortages of Fertilizer during unloading and despatches [Para 14(i) , Page 107-AR].*—The Committee earlier directed that Shortage cases should be investigated immediately and in this case the information about the inquiries held on this issue should be furnished within one month. The Department informed the Committee that the inquiry report in this case was still awaited.

1148. The Audit commented that:—

- (a) The Legal Adviser to Pakistan Embassy, Washington held the view (which was later on accepted) that since the shortage occurred after the cargo had left the ship, the claim was not enforceable and should be withdrawn.

This was as early as in November, 1974 and yet in case after case, FDFI unduly went on lodging claims after claims against the shippers for the similar shortages. It was either a case of meeting some legal obligations (which have not been specified) or a case of attempting to delay and confuse the issue and to avoid immediate enquiry at Karachi.

- (b) No reasons have been given for holding repeated enquiries in these cases. The deficiency found and the main conclusions drawn in these enquiries have not been indicated as also the defects, if any,

pointed out in unloading, handling and loading the consignments and suggested remedial actions.

- (c) No reasons have been given for no action by FDFI offices for long spells. This points towards failure of internal controls and supervisory checks on the Directorate by the Ministry.
- (d) Enquiries now being held by the enquiry officer of Establishment Division may be expedited.

1149. The Committee directed that this paragraph would be considered when the inquiry is complete. The inquiry report should be expedited.

1150. *Loss due to heavy shortages and damages at port—Rs. 2,116,194 [Para 14(ii), page 108-AR].*—The Committee in its meeting dated 25th March, 1986 directed that the report of inquiry in this case should be expedited. The Department informed the Committee that inquiry report had been completed. The Inquiry Officer had recommended that wastage of 77.23 Tons may be written off as handling loss. The balance loss of 533.3 tons was attributed to the defective railway weightment system. The losses suffered on grant of rebate on sweeping may be reconciled by the Audit. No. one in FDFI could be blamed for the losses due to NLC drive to clear the report.

1151. Audit commented as under:—

- Who was the enquiry officer and when was the enquiry conducted and report submitted?
- Have the findings of the enquiry officer accepted by the Government?
- The loss was 2.36% of the manifested quantity which is very high by any standards and cannot be attributed to reasons beyond the control of FDFI.

1152. The PAC after hearing the Department directed that representatives of Ministry of Food and Agriculture, NLC and Ministry of Railways may appear before the Committee.

1153. *Loss due to incurrence of extra expenditure on salvage charges and shortages at port—Rs. 8,053,425—[Para 14(iii), page 108-AR].*—The Committee earlier directed inquiry report on this issue should be submitted within one month. The department explained that “General Average” bond was signed keeping in view the common interest and payment was made in consultation with the Justice Division and Finance.

1154. The Inquiry Officer recommended that wastage of 53.27 tons be written off as handling loss. Loss of 277.5 Tons occurred due to rains and was also required to be written off. The balance of 399.45 Tons was due to defective weighment. The Committee was not satisfied with the result of enquiry and directed that the representatives of National Logistic Cell and Ministry of Railways should appear before the Committee to explain the correct position.

1155. *Shortages and Damages at port—loss of Rs. 766,499 [Para 14 (iv), page 108—AR].*—The Committee directed earlier in their meeting held in March, 1986 that the inquiry in this case should be expedited. The Department informed the Committee that according to finding of Inquiry Officer, shortage of 122,690 Tons was a handling loss, the wastage was due to exposure hazzard and abnormal port condition. Loss of 76.64 Tons was attributed to the negligence on the part of handling staff. It was not possible for FDFI to keep separate accounts of sweeping and damaged cargo in respect of each vessel, as six ships were handled at one time.

1156. Audit commented that:—

- Report of the Enquiry Officer had neither been appended with the Ministry's reply for supplied separately.
- Enquiry was started in 1984. Reasons for not initiating the enquiry in 1981 *i.e.* immediately after occurrence of the loss not intimated.
- Letter No.F. 4—4(79)/Fort dated 3rd February, 1980 for allowing rebate on sweeping and damaged fertilizer not applicable in this case as it had already been superseded *vide* letter No. F. 4—4(79)-fortdated 29th June, 1981 issued with the concurrence of Finance.
- Responsibility for the losses (except 76.64 metric tons) has not been fixed.

1157. The Chairman PAC observed that this inquiry was ordered in 1981, which had been delayed. The responsibility for dealy should be fixed. The action should be taken against those responsible.

1158. The Committee directed that action taken against the Officers on the basis of inquiry report for the shortage of 76.64 Tons should be communicated to the PAC.

1159. *Loss of Rs. 2.99 Million due to shortlanding of imported fertilizer— [Para 14 (v), page 109-AR].*—The Committee, after going through the explanation of the Department in compliance with its earlier directive, directed the

Ministry to expedite the report and requested Audit to verify the position and report back to the PAC, if necessary.

1160. *Loss of Rs. 1,957,033 for want of correct action (Short Shipment and Short-landing) [Para 14(vi), page 109-AR].*—The Committee earlier directed that inquiry in this case should be expedited and preferably it should be conducted by the Department itself instead of referring it to Establishment Division.

1161. The contents of inquiry report were read out before the PAC. The Committee directed that action should be taken against the persons responsible for the loss. Subject to action having been taken and verification by Audit, the paragraph was dropped.

1162. *Irregularities in recovery of shortlanding claim—Rs. 939,015 [Para 14(vii), page 109-AR].*—The inquiry report was to be expedited according to earlier directive of PAC. The Department explained that the Inquiry Officer was transferred and it had now been entrusted to a new officer, as such it could not be completed. The paragraph was deferred with the directive that inquiry officer should expedite the report which would be considered in the next meeting.

1163. *Shortlanding case not handled properly—loss of Rs. 2,566,922 [Para 14(viii), page 109-AR].*—The Department informed that inquiry report had been finalized and action had also been initiated on the inquiry report. The Committee directed that action should be finalized. Audit should verify the final position. The PAC may be informed of the action having been taken.

1164. *Claim for shortlanding stores, liquidated damages etc., remained unsettled (Rs. 2.5 Million) [Para 14(ix), page 110-AR].*—The PAC in its earlier directive expressed its displeasure on seeing that despite a clear provision in the contract to the effect that insurance was the responsibility of supplier, insurance was taken out by the Department as a special case on additional payment.

1165. The Department explained the whole case to the Committee indicating the circumstances which led to the irregularity. The Ministry's report did not throw light on the following aspect:—

- (i) Whether the supplier had put the insurance clause in his bid?
- (ii) If so, whether the bid was evaluated after the adjustment of the cost of insurance.
- (iii) If the above provision was not a part of bid at what stage the condition had cropped up and how the Joint Secretary accepted it.

- (iv) The argument of urgency for purchase of ship load of 10,000 M/Tons urea Fertilizer might not be acceptable if the overall magnitude of total import of Fertilizer (1,298,341 M/Tons) during 1978-79 was kept in view.
- (v) The administrative Ministry obtained the clearance from FA Wing on an undertaking that Finance Divisin (Main)'s approval would be obtained for deviation in the contract, but pursued the case with Finance on the ground that since order had been placed, there would be serious consequences if deviations were not agreed to.

1165-A. The Committee examined the case and directed as under:—

- (a) As per recommendation of the Enquiry Officer, it should be investigated as to what were the compulsions which forced the Officers of the Ministry to agree to the unreasonable demand of the suppliers regarding insurance.
- (b) The Government policy regarding insurance of Cargo should be strictly follow in future.

1166. *Audit review of the performance of the Federal Directorate of Fertilizer imports for 1981-82 (Para 18, page 112-AR).*—The PAC in its meeting in March, 1986 observed as under:—

- (i) A better planning for the import of fertilizer was needed so that funds and stores were not locked up for the next year.
- (ii) The Ministry should examine to strengthen new out-lets, like Cooperative Bank etc; so as to reach the farmers more widely.

The Department explained further that the import requirements were determined on the basis of actual off-take during the preceding year. A growth of 8% over the preceding year was taken into account while working out the requirements for a year. The consumption targets were fixed by a high level Federal Committee on Agriculture which was chaired by the Federal Minister for Food, Agriculture and Cooperatives and attended among others by the Food, Agriculture and Cooperatives and attended among others by the Provincial Ministers for Agriculture. The import plan was chalked out on the basis of these targets in consultation with the Ministry of Finance. The timing of imports depends on planning, but lengthy procedures have to be followed which does affect the schedule at times. The consumption targets and import plan were worked out with all possible precision. But the susceptibility of agriculture in Pakistan to the vagaries of nature including availability or lack of adequate water

supply, was the over-riding phenomenon. Consumption invariably depends on weather and water. Therefore, all estimates could go away.

1167. However, the position was reviewed periodically to ensure that neither the stocks are carried far more than our prescribed requirements, nor there are shortages. However, some time the planning was disturbed when the off-take could not take place with the projections due to adverse weather conditions which were beyond human control. Even then the situation was reviewed periodically *i.e.* quarterly and on Kharif Rabi basis; consumption targets were revised; and imports arranged accordingly. Every precaution was taken to avoid excessive imports of fertilizer. On the contrary, in 1985-86 for instance the actual consumption exceeded the targets with the result that special allocation was obtained from Ministry of Finance for imports of Phosphatic fertilizers.

1168. Government do recognize the importance of village coepratives as marketing outlet. It was due to this recognition that the Government decided to channelize cooperative credit through village co-operatives who, in turn, extend credit to their memebtrs enabling them to purchase fertilizer. With a view to strengthening the cooperatives, the Federal Bank for Cooperatives was set-up in 1976 as the principal financing institution for the provincial Co-operative Banks which were presently extending credit facilities through about 40,000 co-operative Societies in the province of Punjab and approximately 4,000 in N.W.F.P. It was estimated that about 70% of these societies were engaged in marketing of fertilizers through about 8,000 out-lets.

1169. Audit, however, observed that comprehensive statistics had not been compiled for proper review of procedure etc. by the PAC. The memebtrs of the Committee were of the view that distribution of fertilizer was required to be made through cooperatives for better results. Intermediaries were also required to be eliminated to the maximum extent. Provincial cooperative institute should be given direct supply. The Department promised to try this scheme of distribution.

1170. The Committee decided that better planning for import of fertilizer was needed to ensure that funds and fertilizer were not locked up and at the same time there should be adequate reserves to meet an unexpected rise in the demand.

The Committee also directed that a high level Committee comprising the representatives of Ministry of Finance, Food and Agriculture and Audit should be formed to consider and develop the framework of rules for efficient administration of the FDFI.

The Audit also pointed out that there were abnormal delays in preparation of final despatch statements as a result of which it was not possible to highlight the deficiencies in the management of imported fertilizer promptly.

The Committee directed that preparation of final despatch statements should be expedited and the results reported in the next meeting for review of the Committee.

Performance review of the Food Department for the year 1981-82.

The Auditor-General while reviewing performance of Food Department for the year 1981-82 observed that:—

- (i) The existing strength of the Food Department was in excess of requirement and needed review and suggested that the staff should be assessed either on tonnage or ship basis;
- (ii) Arrangements for internal audit were not adequate;

The departmental representative stated that the re-organization of the Department was being carried out and report would be ready within next three months.

The Committee directed that:—

- (a) Administrative re-organization should be completed within 3 months; and
- (b) The system of financial control and internal audit should be reviewed by the Committee constituted as per decision on audit para 18.

1171. *Losses not Regularised—Rs. 27,552,719 or U.S. \$ 2,783,103 [Para 21(3) (i), 21(4) (i), 21(5) & 21(19), page 128-AR].*—The inquiry reports were required to be submitted within one month, as per earlier decision of the PAC.

1172. Audit commented on each para as under:—

Para 21(3) (i).—There was no record to substantiate cancellation of the deal with M/S Louis. In the comparative statement the delivery period committed by the bidder was June. 4—29. It was, however, subsequently added that the deal did not mature as M/S Louis Dreyfus could not guarantee loading by 29th June, 1975. Why a guarantee was needed was not known.

Para 21(4) (i).—The issues raised in the audit observations remained unattended.

Para 21(5).—The deal appeared to be questionable as the rates were apparently very high especially the sequence of dates for floating/acceptance of tender, signing of contract and extension in shipment period were very interesting. The Ministry had not explained as to why PAREP Buenos Aires was not asked to contract London Shippers if they could get lower rate.

Para 21(19).—The proposal for tender enquiry with 24 hours validity had been moved by the Embassy and the Secretary General Finance merely approved it in view of the circumstances explained by the Embassy. The Embassy, therefore, could not be absolved from the consequences of the decision. The Ministry had not contended that the freight rate subsequent to above transaction was \$ 16 on an average.

The gains achieved by purchasing wheat at the lower rate were off set by the higher freight cost.

1173. The inquiry report was read out in the meeting. The Committee after going through the recommendation of the inquiry and explanation of the Department directed that the members of Tender Committee may be asked to appear before the PAC for hearing on the date and time to be fixed later on.

1174. *Loss of U.S. \$ 378,450 (Rs. 3,746,655) not regularised (para 23, page 130-AR).*—The Committee directed that members of Tender Committee may be asked to appear before the Committee on the date and time to be fixed later on.

ANNEXURE II

**STATEMENT OF ENQUIRY REPORT IN RESPECT
OF CASES OF LOSSES DUE TO SHORTAGES,
DAMAGES ETC.. (REFERRED TO IN
PARA 3.2, PAGE 42)**

STATEMENT SHOWING THE POSITION OF RECOMMENDATIONS OF ENQUIRY REPORT IN RESPECT OF CASES OF LOSSES DUE TO SHORTAGES, DAMAGES ETC., REPORTED IN PARAS 2(iii), (v), (vii), (viii), (ix), (x) AND (xi) AUDIT REPORT 1982-83 RELATING TO MINISTRY OF FOOD AND AGRICULTURE

Sr. Para No. of No. A.R. 1982-83	Name of the Ship	Amount of Loss (Rs.)	Quantity of shortages M/Town	Recommendation of the Enquiry Officer attributing shortages to the reasons and indicating responsibility.						
				4	5	6	7	8	9	10
				page No. & Para of Enquiry report	Defective Railway weight ment system	Rains M/Ton	Handling loss M/Tons	Losses attributed to officials		
1. 2(iii)	Forum Plessof	4,023,779	429.311 (short) + 1081.00 (ship damage)	248 Paras 772 to 788	-	-	-	-	-	No body in FDFI has been blamed. Rebate on damaged cargo to be written off. Claim of shortlanding to be pursued.
2. 2(iv)	AILOS	342,278	160.19 (shortage)	212 (Paras 474 to 482-84)	-	-	56.90	103.29	-	Loss of 103.29 M. Ton was to negligence of Mr. Mir Asdullah, Director port and Mr. Sabir Ali Khan, Assistant Director, Port.
3. 2(vii) (i)	Patimata of RMS-I	-	111.59	222	-	-	111.59	-	-	
(ii)	Irish SGA	1,129,964	304.53	(Paras 567-568) 226	-	-	-	87.56	216.97	Mr. Wali Muhammad and Mr. S.M. Naqvi are responsible for the shortage of 216.97 M/Ton.

1	2	3	4	5	6	7	8	9	10	11
4.	2(viii)	(i) Ayeetha	-	175.71	200 (Para 364 to 366)	2.5	-	52.4	120.86	Mian Wali Muhammad and S.M. Naqvi are responsible for 120.86 M/ton.
		(ii) Al Carrier	-	742.17	197 (Para 336 to 338)	556.44	75.0	-	110.73	Responsibility was not fixed.
		(iii) Summit Venture	-	698.28	205 (Para 417 to 418)	630.28	-	68.00	-	-
		(iv) Tokyo Olympic	-	80.06	208 (Para 440 to 441)	19.01	-	61.05	-	-
		(v) Akademos	-	727.42	199 (Para 355)	727.42	-	-	-	-
		(vi) Al Commodore & Asia Swallow.	-	58.40	152 (Para 27)	-	-	58.40	-	-
		(vii) Algelike Dynamis	-	267.80	202 (Para 377 to 378)	217.80	50.0	-	-	-
		(viii) New Cypet & Sarika-B	8,019,743	51.88	153 (Para 27)	-	-	49.13	2.75	Cost should be recovered from stavedore.
				2801.72	216 (Para 512 to 513)					
5.	2(ix)	(i) Viking.	-	354.27	210 (Para 458 to 459)	260.04	-	94.23	-	-
		(ii) Angel Prosperity.	-	628.82	203 (Para 388 to 390)	314.94	235.00	51.88	27.0	Responsibility was not fixed. (Reasons not explained)
		(iii) Roodai	3,644,065	336.85	209 (Para 449 to 451)	134.60	167.50	34.75	-	-
				1319.94						

1	2	3	4	5	6	7	8	9	10	11
6.	2(x)	(i)	Jonnli	118.10	236 (Para 698)	-	-	118.1	-	-
		(ii)	Kaptai	74.60	219 (Para 541)	-	-	74.60	-	-
		(iii)	Kadar Bekah	5.15	153 (Para 27)	-	-	5.15	-	-
		(iv)	Family Delta	87.55	191 (Para 294)	-	-	-	-	A shortlanding case, claim to be pursued the quarter concerned.
		(v)	Protokitos	21.25	152 (Para 21)	-	-	21.25	-	-
		(vi)	Maldiva Navigator	10.0	152	-	-	10.0	-	-
		(vii)	Elli-II	23.5	150 (Para 27)	-	-	23.5	-	-
		(viii)	VITA Carrier	36.85	150 (Para 27)	-	-	36.85	-	-
		(ix)	Athlana	496.80	189 (Para 270 to 278)	-	-	23.7	66.25	Mir Asadullah and Mr. S.M. Naqvi are responsibility for shortage of 66.25 M/ton.
		(x)	New Swan	9.5	152 (Para 27)	-	-	9.5	-	Final despatch statement No. KR/Deep/15182/3249 dt. 14-8-80 issued by FDFI office Karachi shows shortlanding and 496.50 tons. The department has to explain the variation in quantities.
		(xi)	Boujniva	33.99	153 (Para 27)	-	-	33.99	-	-
				917.29						

1	2	3	4	5	6	7	8	9	10	11
7.	2(x)	(i)	Ithlis	-	54.45	153 (Para 27)	-	-	54.45	-
		(ii)	Olympic Phetion	-	79.11	154 (Para 28)	-	-	79.11	-
		(iii)	Adelbert Antonov.	-	263.04	175 (Para 201)	145.60	90.0	27.44	-
		(iv)	Irenes Lyric	-	542.65	204 (Para 399 to 401)	480.59	8.50	48.56	5.0
		(v)	Antegony	4,648.486	514.31	211 (Para 471 to 473)	328.23	137.0	49.08	-
					1453.56					
			Grand Total	23,631,106	8579.131	-	3817.45	763.00	1341.17	652.85