



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
PUBLIC SECTOR ENTERPRISES  
GOVERNMENT OF THE PUNJAB  
AUDIT YEAR 2020-21**

**AUDITOR-GENERAL OF PAKISTAN**



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## **ABBREVIATIONS & ACRONYMS**

ADP	Annual Development Program
AGP	Auditor General of Pakistan
AGPR	Accountant General of Pakistan Revenues
BISE	Board of Intermediate & Secondary Education
BISP	Benazir Income Support Programme
BOD	Board of Directors
BOG	Board of Governors
BOM	Board of Management
BOP	Bank of Punjab
BoQ	Bill of Quantity
BRU	Business Registration Unit
C&W	Communication & Works
CEO	Chief Executive Officer
CIWEC	China International Water Electricity Corporation
CM	Chief Minister
CMEC	China Machinery Engineering Company
CMIS	Centralized Management Information System
COD	Commercial Operation Date
COE	Centers of Excellence
CPD	Continuous Professional Development
CPP	Capacity Purchase Price
CPPA-G	Central Power Purchasing Agency Guarantee Limited
CSR	Corporate Social Responsibility
CT	Cooling Tower
CTAA	Common Terms and Accounts Agreement
CV	Curriculum Vitae
DAO	District Accounts Officer
DCO	District Coordination Officer
DIG	Deputy Inspector General
DISCOs	Distribution Companies
DLP	Defect Liability Period
ECNEC	Executive Committee of National Economic Council
ECSP	Engineering Consultancy Services Punjab
EOBI	Employees Old Age Benefit Institution
EOI	Expression of Interest
EPA	Energy Purchase Agreement

EPC	Engineering Procurement & Construction
EPP	Energy Purchase Price
EPZ	Export Processing Zone
ERP	Enterprise Resource Programme
FBR	Federal Board of Revenue
FIEDMC	Faisalabad Industrial Estate Development and Management Company
FIR	First Information Report
FRR	Final Revenue Requirement
GEPCO	Gujranwala Electric Power Company
GM (C&O)	General Manager (Coordination & Outreach)
GoPb	Government of Punjab
GSA	Gas Supply Agreement
GT-1, 2	Gas Turbine-1 and 2
HEC	Higher Education Commission
HED	Higher Education Department
HEI	Harbin Electric International
HIP	Health Insurance Program
HMIS	Health Management Information System
HO	Head Office
HOD	Head of Department
HQ	Headquarter
HR	Human resource
HRL	Habib Rafiq Limited
HT	High Transmission
HUD& PHED	Housing, Urban Development & Public Health Engineering Department
I,C&I	Industries, Commerce & Investment
IBRD	International Bank For Reconstruction and Development
IPP	Independent Power Producers
JDA	Joint Development Agreement
JV	Joint Venture
KIBOR	Karachi Inter Bank Offer Rate
KWh	Kilowatt per Hour
LAC	Land Acquisition Collector
LCIA	London Court of International Arbitration
LD	Liquidated Damages
LDA	Lahore Development Authority

LG&CD	Local Government & Community Development
LKPC	Lahore Knowledge Park Company
LPCL	Lahore Parking Company Limited
Mmbtu	Metric Million British Thermal Unit
MEOs	Monitoring & Evaluation Officers
MEPCO	Multan Electric Power Company
MFDAC	Memorandum for Departmental Accounts Committee
MHUs	Mobile Health Units
MIE	Multan Industrial Estate
MLA	Mandated Lead Arranger
MOU	Memorandum of Understanding
MW	Mega Watt
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NBP	National Bank of Pakistan
NDT	Non Destructive Test
NEPRA	National Electric Power Regulatory Authority
NESPAK	National Engineering Services Pakistan
NHS,R&C	National Health Services, Registration & Coordination
NICL	National Insurance Corporation Limited
NOC	No Objection Certificate
O&M	Operation & Management
OGRA	Oil and Gas Regulatory Authority
OMIS	Operations & Maintenance Services International
OT	Once Through Cycle
P&D	Planning & Development
P&SHD	Primary And Secondary Healthcare Department
PAC	Public Accounts Committee
PBIT	Punjab Board of Investment & Trade
PC	Planning Commission
PCD	Project Completion Date
PEC	Pakistan Engineering Council
PEC	Punjab Examination Commission
PEEF	Punjab Educational Endowment Fund
PEF	Punjab Education Foundation
PEHCL	Punjab Energy Holding Company Limited
PEIMA	Punjab Education Initiative Management Authority
PESSI	Punjab Employees Social Security Institution

PFR	Punjab Financial Rules
PHC	Punjab Healthcare Commission
PHF	Punjab Health Foundation
PHFMC	Punjab Health Facilities Management Company
PHIMC	Punjab Health Initiative Management Company
PIEDMC	Punjab Industrial Estate Development and Management Company
PITB	Punjab Information Technology Board
PLA	Personal Ledger Account
PLDC	Punjab Land Development Company
PLGA	Punjab Local Government Act
PLGO	Punjab Local Government Ordinance
PMBMC	Punjab Model Bazaars Management Company
PMDFC	Punjab Municipal Development Fund Company
PMIU	Project Monitoring and Implementation Unit
PMU	Project Management Unit
PO	Purchase Order
PPA	Power Purchase Agreement
PPC	Punjab Pharmacy Council
PPDB	Punjab Power Development Board
PPDCL	Punjab Power Development Company Ltd
PPP	Public Private Partnership
PPSPC	Public Private Partnership Steering Committee
PPRA	Public Procurement Regulatory Authority
PRA	Punjab Revenue Authority
PSC	Punjab Seed Corporation
PSDF	Punjab Skills Development Fund
PSEs	Public Sector Enterprises
PSIC	Punjab Small Industries Corporation
PSPC-N	Punjab Saaf Pani Company – North
PSSP	Public Sector School Program
PST	Provincial Sales Tax
PTPL	Punjab Thermal Power Private Limited
PUNJMIN	Punjab Mineral Development Corporation
QAAP	Quaid-E-Azam Apparel Park
QASPL	Quaid -E- Azam Solar Power Private Limited
QAT	Quality Assurance Test
QATPL	Quaid-E-Azam Thermal Power (Private) Limited
QIE	Quaid-E-Azam Industrial Estate

RCTA	Release Compensation and Termination Agreement
RIE	Rahim Yar Khan Industrial Estate
RLNG	Re-Gasified Liquefied Natural Gas
RO	Regional Office
S&GAD	Services & General Administration Department
SBLC	Standby Letter Of Credit
SDA	Special Drawing Account
SDAC	Special Departmental Accounts Committee
SDP	Skill Development Program
SECP	Security & Exchange Commission Of Pakistan
SH & MED	Specialized Healthcare And Medical Education Department
SIE	Sundar Industrial Estate
SLIC	State Life Insurance Corporation
SNGPL	Sui Northern Gas (Pvt.) Ltd
SOP	Standard Operating Procedures
TDCP	Tourism Development Corporation of Punjab Limited
TDR	Term Deposit Receipt
TEPA	Traffic Engineering & Transport Planning Agency
TEVTA	Technical Education And Vocational Training Authority
TORs	Terms of Reference
TPV	Third Party Validation
TSP	Training Service Provider
USD	United States Dollar
WAPDA	Water And Power Development Authority
WCF	Working Capital Finance
WPPF	Worker Profit Participation Fund
WTO	World Trade Organization
WWF	Worker Welfare Fund



## **Preface**

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 15 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor General of Pakistan to conduct audit of the accounts of the expenditure from the Provincial Consolidated Fund, Public Accounts and that of Government Commercial Undertakings and of any Authority or Body established by the Province.

This report is based on audit of the accounts of Public Sector Enterprises (PSEs) of Government of the Punjab for the year 2019-20. The Audit Report also contains audit observations of the previous financial years. The Directorate General of Commercial Audit & Evaluation (North) conducted audit during the period July 01, 2020 to November 15, 2020 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1.00 million and more. Relatively less significant issues have been listed in Annexure-I (MFDAC). The audit observations listed in Annexure-I shall be pursued with the relevant Principal Accounting Officers (PAOs) of the Department at SDAC level. In case, the PAOs do not initiate appropriate action, the audit observations will be brought to the notice of Public Accounts Committee through next year's Audit Report.

All of the observations included in this report have been finalized in the light of discussions in the SDAC meetings.

The Audit Report is submitted to the Governor of the Punjab in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before the Provincial Assembly.

**Sd/-**

**Dated: 23.02.2021**

**(Javaid Jehangir)  
Auditor-General of Pakistan**



## EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation (DG, CA&E), (North) carries out audit and evaluation of Public Sector Enterprises (PSEs) established/controlled by Government of the Punjab which maintain their accounts on commercial basis. Sections 8 & 15 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 empowers the Auditor-General of Pakistan to conduct audit of companies and corporations established in the public sector.

Out of 12,639 man-days allocated for undertaking field audit activities, 1,540 man-days were utilized for conducting audit of Punjab Provincial Public Sector Enterprises. The annual budget of the Director General Commercial Audit & Evaluation Islamabad allocated for conducting audit of Punjab Provincial Organizations for the year 2019-20 amounted to Rs 69.089 million. This report contains results of audit inspection and evaluation of financial performance of public sector entities for the financial year 2019-20 conducted during the year 2020-21.

This report also contains comments on the audited annual accounts of fourteen (14) public sector enterprises pertain to the financial year 2019-20. However, comments on forty (40) organizations (Annexure-2) could not be included in this report as the concerned management failed to submit their audited accounts by the prescribed date December 31, 2020.

### **a. Scope of Audit (Audit Coverage)**

This office is mandated to conduct audit of 54 formations working under 23 PAOs. Total expenditure and receipt of these formations were Rs.161.854 billion and Rs. 170.298 billion respectively for the financial year 2019-20.

Audit coverage relating to expenditure for the current audit year comprises sixteen (16) formations of eleven (11) PAOs having total expenditure of Rs.118.480 billion and Receipts of Rs 132.105 billion for the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 73% of auditable expenditure and 77% of auditable receipts.

This audit report also includes audit observations resulting from the audit of expenditure of Rs. 5.177 billion and receipts of Rs. 5.128 billion for the financial year 2018-19 pertaining to two (2) formations of two (2) PAOs.

**b. Recoveries at the instance of audit**

As a result of audit, a recovery of Rs. 3,616.760 million was pointed out in this report. Recovery affected from January 2020 to December 2020 was Rs 71.153 million which was verified by audit. Detail at Annexure-3

**c. Sectorial Analysis**

Commercial entities, corporations and companies in the public sector are envisaged to provide better public service delivery, with self-sufficiency, financial autonomy and less bureaucratic formalities. These public sector commercial organizations were created in every sphere of public service ranging from bank to power sector companies and have emerged as a sector of its own. This cross-cutting sector analysis of varied organization has been divided into two areas. One, analysis of its financial management, compliance with its business plan and internal control to ensure achievement of its goals. For this purpose categorization on the basis of related audit paras was made as A, B & C (Annex-4). Two, core financial results were analyzed focusing on their viability and profitability, to examine their sustainability (Annex-5).

**i. Corporate Governance Issues**

During field audit assignment the issues regarding performance evaluation of BoD members, major decisions taken without participation of majority members of BoD, irregular composition of BoD and non appointment of CEO/CIA/CFO were highlighted.<sup>1</sup>

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<sup>1</sup> 4.1.4.10, 8.1.4.9, 13.1.4.6

## **ii. Regulatory Environment and Legal Issues**

The report also covers the issues pertaining to compliance of regulatory environment such as internal controls relating to irregularities in procurement of goods and services, irregularities in appointment of human resource and legal issues<sup>2</sup>.

## **iii. Fiscal summary**

This office conducted audit of eleven (11) departments consisting of sixteen (16) organizations having a total receipts of Rs 118.480 billion and expenditures of Rs 132.105 billion. The overall profit of these organizations was Rs 13.625 billion.

## **d. Audit Methodology**

Audit methodology for conducting audit of the accounts for the year 2019-20 of the auditee organizations started from audit planning and, consulting and updating their permanent files. Desk audit helped the auditors in understanding the systems, procedures and environment of the entities before starting field activity. This facilitated amply to identify of high risk areas for audit tests to be applied in the field. Audit was carried out on the basis of adequacy of internal control system in the organization with specific emphasis on high value items and inherent risk areas. Audit checks were applied keeping in view the nature of transactions, accounting standards and best auditing practices as well as rules and regulations contained in relevant financial and operational manuals.

## **e. Audit Impact**

Audit has contributed towards adding value to the control mechanism of organizations which complied with audit recommendations. As a result of audit,

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<sup>2</sup> 2.1.4.2, 2.1.4.3, 2.1.4.4, 2.3.4.1 to 2.3.4.6, 4.1.4.2 to 4.1.4.7, 4.3.4.2 to 4.3.4.7, 5.1.4.2 , 8.1.4.1, 8.2.4.2 to 8.2.4.4, 9.1.4.1, 9.1.4.2, 11.2.4.2, 11.2.4.3, 12.1.4.2 to 12.1.4.4, 13.1.4.1, 13.1.4.2

management's awareness about internal controls and overall financial discipline improved.

**f. Comments on Internal Controls and Internal Audit Department**

Internal Audit Wings existed in most of the organizations but were working directly under the supervision of the heads of the finance wing. Resultantly, free and fair opinion of the internal audit wing was not forthcoming. The observations relating to violation of rules and regulations by the audited organizations were due to under performance of the internal audit wing. It is stressed that internal audit wing should be placed directly under the supervision of Audit Committee of Board, to make its role more effective and meaningful.

**g. Key audit findings of the report**

- i. There were four (4) cases of irregular appointment amounting to Rs. 50.280 million.<sup>3</sup>
- ii. There were six (6) cases of wasteful expenditures amounting to Rs. 214.422 million.<sup>4</sup>
- iii. There were twenty three (23) cases of irregular procurement & hiring of services amounting to Rs. 38,082.301 million.<sup>5</sup>
- iv. There were twenty three (23) cases of non-recovery amounting to Rs. 5,702.828 million.<sup>6</sup>

Audit Paras for the audit year 2019-20 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC have been shown in Annexure-I.

**h. Recommendations**

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<sup>3</sup> 4.1.4.2, 4.1.4.4, 8.2.4.3, 9.1.4.1

<sup>4</sup> 8.2.4.2, 8.2.4.5, 10.1.4.3, 10.1.4.9, 11.1.4.2, 11.1.4.5

<sup>5</sup> 2.1.4.3, 2.1.4.4, 2.2.4.2, 2.2.4.3, 2.3.4.1 to 2.3.4.3, 2.3.4.10, 4.1.4.5 to 4.1.4.7, 4.3.4.3 to 4.3.4.6, 5.1.4.2, 9.1.4.2, 11.2.4.2, 12.1.4.2 to 12.1.4.4, 13.1.4.1, 13.1.4.2

<sup>6</sup> 2.1.4.12, 2.3.4.3, 2.3.4.7, 2.3.4.9, 2.3.4.10, 4.1.4.3, 4.1.4.9, 4.3.4.7, 4.3.4.8, 4.3.4.10, 4.3.4.13, 5.1.4.4, 5.1.4.5, 5.1.4.8, 5.1.4.9, 5.1.4.10, 8.1.4.8, 11.1.4.3, 11.2.4.3, 12.1.4.5 to 12.1.4.7, 13.1.4.3

- i. Compliance of government instructions regarding appointments should be implemented in letter and spirit;
- ii. Wasteful expenditure and undue payments should be avoided after strengthening the internal controls;
- iii. Departments should streamline procedure of procurement to achieve economy, efficiency, and value for money as per Punjab Procurement Rules 2014;
- iv. Management is required to exercise extra vigilance in order to curb the tendency of misuse of public resources through an elaborate monitoring mechanism; and
- v. Departments are required to recover overpayments and efforts need to be enhanced for early realization of recoveries and receivables.



## Chapter-1

### Agriculture Department

#### 1.1 Introduction

Agriculture is mainstay of Pakistan's economy. It accounts for 19% of the Gross Domestic Product and together with agro-based products fetches 80% of the country's total export earnings. More than 42.3% of the labour force is engaged in this sector. The most populated province of Punjab provides the largest share in national agricultural production. Agriculture offers 19% of the Gross Domestic Product and gives employment to 48% of the population.

In order to sustain food security and achieve maximum utilization of agricultural products, the Government of the Punjab has established Punjab Bio Energy Company and Punjab Seed Corporation in the Public Sector. These PSEs are governed under the Companies Ordinance 1984 now Companies Act 2017, Punjab Agriculture Policy, Punjab Seed Corporation Act 1976.

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	1	0	0	0
2	Authorities/Autonomous Bodies etc. under the PAO	1	0	0	0
3	Foreign Aided Projects (FAP)	-	-	-	-

#### Classified Summary of Audit Observations

Audit observations amounting to Rs NIL were raised as a result of this audit. This amount also includes recoverable of Rs NIL as pointed out by the audit.

Summary of the audit observations classified by nature is as under:-

<b>Sr. No</b>	<b>Classification</b>	<b>Amount (Rs in million)</b>
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	-
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	-
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	-

**Audit was not conducted but audit comments of Punjab Seed Corporation were included in the report.**

## 1.1.1 Punjab Seed Corporation (PSC)

### Introduction

Punjab Seed Corporation (PSC) was established under the Punjab Seed Corporation Act, 1976. It has four seed processing plants and three seed farms at Sahiwal, Khanewal, Rahim Yar Khan and Piplan. Corporation is primarily engaged in the production of pre-basic, basic and certified seeds of different varieties as well as their marketing. Corporation is fully owned by Government of the Punjab.

### 1.1.2 Comments on Audited Accounts

1.1.2.1 Working results of the Corporation for the year 2019-20 as compared to previous years are as under:-

(Rs in million)

	2019-20	% Inc/ (Dec)	2018-19	% Inc/ (Dec)	2017-18
<b>Sales</b>					
Farms	95.31	5.90	90.00	(15.97)	107.11
Seed industry	2,664.42	1.65	2,621.06	(3.96)	2,729.20
	<b>2,759.73</b>	<b>1.79</b>	<b>2,711.06</b>	<b>(4.42)</b>	<b>2,836.31</b>
<b>Cost of Sales</b>					
Farms	58.76	(17.45)	71.18	(24.45)	94.22
Seed industry	2,103.65	(0.45)	2,113.07	(9.89)	2,344.96
	<b>2,162.41</b>	<b>(0.66)</b>	<b>2,184.25</b>	<b>(10.45)</b>	<b>2,439.18</b>
<b>Gross profit</b>	<b>597.32</b>	<b>13.38</b>	<b>526.81</b>	<b>32.66</b>	<b>397.13</b>
Administrative expenses	469.19	7.41	436.84	21.29	360.17
Selling and distribution expenses	83.63	12.13	74.58	16.20	64.18
<b>Total operating expenses</b>	<b>552.82</b>	<b>8.09</b>	<b>511.42</b>	<b>20.52</b>	<b>424.35</b>
Operating profit / (loss)	44.50	189.15	15.39	0.00	(27.22)
Other income	161.99	45.66	111.21	62.87	68.28
<b>Total profit before tax and financial charges</b>	<b>205.87</b>	<b>62.61</b>	<b>126.60</b>	<b>208.34</b>	<b>41.06</b>
Financial charges	0.66	-	0.66	29.23	0.39
Profit before taxation	205.21	62.94	125.94	209.67	40.67
Taxation	61.13	57.14	38.90	25.32	31.04
<b>Profit after taxation</b>	<b>144.75</b>	<b>66.30</b>	<b>87.04</b>	<b>803.87</b>	<b>9.63</b>

(Source: Annual Audited Accounts)

Deferred tax liability increased from zero in 2018-19 to Rs 13.732 million in 2019-20. Appearance of deferred tax liability needs to be justified.

**1.1.2.2** Short Term Investment decreased by 275% from Rs 600.00 million in 2018-19 to Rs 160.00 million in 2019-20. Cash and bank balances increased by 63.16% from Rs 62.356 million in 2018-19 to Rs 101.741 million in 2019-20. Whereas, the average monthly expenditure of the corporation was Rs 46.16 million. Abnormal decrease in Short Term Investment and increase in Cash and Bank Balances needs to be justified.

**1.1.2.3** The capital work-in-progress, increased by 11.13% from Rs 15.535 million in 2018-19 to Rs 17.481 million in 2019-20 for construction of building at Sahiwal, Piplan and Head Office. Planned and expected date of completion of the project alongwith capitalization of work in progress be communicated.

**1.1.2.4** The Chartered Accountants issued qualified opinion on the basis of following points which needs to be attended:

- A. Capital work in progress includes building of Sahiwal plant of the Corporation which completed and is being used as warehouse since prior periods but the cost of the building amounting to Rs 11.011 million was not capitalized in the relevant year as required under IAS-16. Had the building been capitalized and depreciation been charged from the relevant year, profit for the year would have been decreased by Rs 0.275 million (2019: Rs 0.275 million) and property plant and equipment and equity would have been decreased by Rs 11.005 million (2019: Rs 10.73 million).
- B. An amount of Rs 7.491 million (2019: Rs 13.807 million) is receivable from certain employees/ex-employees on account of embezzlement.

**1.1.2.5** In Stock and Trade, Wheat and Others increased by 41.59% from Rs 1,407.274 million in 2018-19 to Rs 1,992.589 million in 2019-20. The aging of stock needs to be provided to audit alongwith their justification.

**1.1.2.6** Gratuity Fund Contribution increased by 100.72% from Rs 39.292 million in 2018-19 to Rs 78.867 million in 2019-20. The abnormal increase alongwith break-up of the same be shared with audit.

**1.1.3 Compliance of PAC Directives:**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

## **Chapter-2**

### **Energy Department**

#### **2.1 Introduction**

Pakistan was currently facing an energy crisis and the province of Punjab, with over a 90 million population, was at worst hit. Punjab's power consumption was 68%, with a demand growth of 6-8% per annum. There was a demand-supply gap of 4000 MW. Punjab was facing both electricity and gas load shedding. The Energy Department was established on July 5, 2011. In response to the energy crisis, the Energy Department had a vision of fully tapping Punjab's indigenous energy potential, which was Hydropower, Solar, Biomass and Coal. The Department and its attached bodies were fully engaged with the Federal and international entities, and also encouraging the private sector to invest in the power sector.

#### **Aims & Objectives**

- Legislation, policy formulation and sector planning,
- Development of a power policy for Punjab
- Standardization of Specifications in respect of electric appliances, machinery and installations
- Acquisition, revocation or amendment of Licenses of Electric Supply Undertaking and approval of loads
- Development of power generation by exploiting hydel, thermal and renewable energy resources
- Energy innovations
- Public private partnerships for energy production, conservation, efficiency.
- Award of power projects in Punjab to Pakistani and Foreign Private sector companies

## Governing Laws

- The Electricity Act (Punjab Amendment) Ordinance, 1971
- The Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997
- Punjab Power Generation Policy, 2006 (Revised 2009)
- Punjab Power Development Board (PPDB) Act, 2011
- Punjab Electricity Duty Rules, 2012

## Formations

- Punjab Thermal Power (Pvt.) Limited
- Punjab Power Development Company
- Quaid-e-Azam Hydal Power (Pvt.) Limited
- Quaid-e-Azam Solar Power (Pvt.) Limited
- Quaid-e-Azam Thermal Power (Pvt.) Limited

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	5	3	67,937.53	76,345.72
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

## Classified Summary of Audited Observations

Audit observations amounting to Rs 77,548.030 million were raised as a result of this audit. This amount also includes recoverable of Rs 2,065.474 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

Sr. No	Classification	Amount (Rs in million)
1.	Non-Production of record	0
2.	Reported cases of fraud/Embezzlement and Mis-appropriation	0
3.	Irregularities	
a.	HR/employees related irregularities	326.670
b.	Procurement related irregularities	6,384.549
c.	Management of Accounts with Commercial Banks	1,466.459
4.	Value for money and service delivery issues	29,601.576
5.	Other	39,768.779

## **2.1.1 Punjab Power Development Company Limited**

### **Introduction**

Punjab Power Development Company Limited is a public unlisted company, limited by shares, registered on January 15, 2008 under Companies Ordinance, 1984. The principal activities for which the Company has been set up include development of power generation projects on fast track basis in public sector by exploiting hydel, thermal and other renewable energy resources and making arrangements for operations and maintenance of all power projects.

The Company is governed by professionals from Public/Private Sector to ensure better co-ordination with stakeholders. It exclusively deals/interacts with the prospective investors both national and international to acquire funds for tapping energy potential of the Province.

### **2.1.2 Comments on Audited Accounts**

The management failed to provide annual audited accounts for the years 2016-17 to 2019-20 by December 31, 2020.

### **2.1.3 Compliance of PAC Directives:**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

### **2.1.4 Audit Paras**

#### ***2.1.4.1 Non-finalization of annual accounts/financial statements for the years 2016-17 to 2019-20***

According to Section 223 (1&2) of the Companies Act 2017, the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company. The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company. In the case of a listed company the Commission, and in any other case the registrar, may, for any special reasons, extend the period for a term not exceeding thirty days.

Further as per Rule 10 of Corporate Governance Rules 2013, every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website. Public Sector Companies which are listed on the exchange shall prepare half-yearly accounts within such time period and undertake limited scope review by auditors as specified by the Commission from time to time.

During audit of PPDCL for the years 2018-20, it was revealed that the management failed to finalize its annual accounts for the year 2016-17 to 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

#### ***2.1.4.2 Non-payment of EOBI and social security contribution - Rs 4.494 million***

As per clause 3.3 of the general terms & conditions with the operators of Pakpattan and Marala Hydel Power Plants, all individuals employed by Operator to perform the Services shall be employees of Operator, and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Operator. With respect to labor matters, hiring personnel, and employment policies, Operator shall comply with all applicable Laws. Further, as per EOBI Act, at the end of each month, the employer should pay contribution to EOBI @ 6% of minimum wage rate of employees (5% employer contribution and 1% employee contribution). Further, as per PESSI Ordinance 1965, at the end of each month, the employer is required to pay social security contribution to PESSI @ 6% of wages (Rs 17,500-Rs 22,000) of employees in case of numbers of employees of any establishment are five or more.

Furthermore, the concerned employer is liable for payment of penalty for non-payment or for short payment.

During the audit of PPDCL for the years 2018-20, it was observed that the management of PPDCL did not ask the operators of Pakpattan and Marala Hydel Power Plants to provide proof for payment of EOBI and social security contribution, whereas the operators of these Plants were bound to follow all applicable rules. Non-payment of EOBI and social security contribution by the operators is worked out as Rs 4.494 million.

Audit was of the view that the EOBI and social security contributions were mandatory and PPDCL was required to get proof from contractor for payment of EOBI and social security contribution. The behavior of the management of PPDCL by not asking operators to present proof for payment of EOBI and social security contribution is considered irregular and unjustified.

The matter was reported to the management on November 30, 2020. During SDAC meeting held on January 05, 2021, the management explained that O&M contractors was asked to provide relevant record and documentation to PPDCL to ensure compliance. The SDAC directed the management to provide relevant record for verification within one month.

Audit recommends compliance of SDAC directive.

***2.1.4.3 Irregular continuation of the O&M contract at Pakpattan Hydropower Plant despite proving misstatement of contractor - Rs 23.898 million***

According to clause 13.4 of the bidding documents, the Owner will have the right to verify the particulars regarding the plant and other related information furnished with the bid and the joint venture as well as the partners thereof shall be liable for disqualification in the event of any misstatement/mis-representation on their part. Further, as per clause 8.3 (ii) of the O&M agreement of M/s OMIS and PPDCL, Owner may terminate the agreement upon ten (10) days prior written notice to Operator in the event of a material breach by Operator in the performance of the contract.

During audit of PPDCL for the years 2018-20, it was observed that the management entered into O&M contract between Operations & Maintenance Services International (OMIS) and PPDCL on February 11, 2017 for Rs 36.773 million. The O&M contractor (OMIS) was paid Rs 16.658 million up to May 31, 2018. M/s OMIS showed himself as a JV with M/s HNAC (China). Due to which it succeeded to win the existing contract. Further, it was revealed that the JV partner M/s HNAC China informed PPDCL vide its letter dated April 25, 2018 that in 2016, HNAC has officially announced to quit OMIS registration. Since then OMIS has neither taken any technical support from HNAC nor shared any revenues to HNAC. HNAC have no relation with OMIS business activity.

In view of the above, it was evident that M/s OMIS misstated for winning contract only as the contract was started in February, 2017 whereas his JV was broken in 2016. The management was required to cancel the contract with the party and forfeit the security left with PPDCL. But instead of doing so, the management allowed the party to continue the contract agreement till its final date which was expired in February, 2019. The action of the management for non-cancellation of the agreement is considered as favoritism to the contractor. The payment made to the party after proving his misstatement of Rs 23.898 million is considered irregular.

Audit was of the view that the management was required to take serious action against O&M contractor who misstated for winning contract.

The matter was reported to the management on November 30, 2020. During SDAC meeting held on January 05, 2021, the management explained that M/s OMIS was selected through competitive bidding as per PPRA Rules. The PPDCL has already en-cashed the performance security of the Contractor. The SDAC directed the management to initiate the process to black list M/s OMIS and requested Administrative Department to probe into this matter.

Audit recommends compliance of SDAC directives.

**2.1.4.4 i. Irregular hiring of Consultant for preparation of Feasibility Study for 120 MW Taunsa Hydropower Project, at Taunsa Barrage on the Indus river.**

**ii. Unjustified withdrawal and retention of money instead of refunding to GoPB –Rs 123.400 million plus interest of Rs 27.611 million**

According to the provisions of the Punjab Public Procurement Rules, the work of consultancy service should be awarded to any party on the basis of prequalification and competitive bidding.

Further, as per procedure of Assignment Account, the AGPR/DAO will endorse only those cheques, which are drawn in the name of contractor/supplier/vendor/salaried individuals only in lieu of their payments on account of purchases, supplies, salaries etc.

During the audit of Punjab Power Development Company (PPDCL) for the years 2018-20, it was observed that Government of the Punjab (GoPB) and Punjab Power Development Board (PPDB) through Punjab Power Development Company (PPDCL) signed a Joint Development Agreement (JDA) with China International Water Electricity Corporation (CIWEC) for the development of 120 MW Taunsa Hydropower Project, located at Taunsa Barrage on the Indus river in JV mode on April 19, 2011. However, open competition through tendering was not done for the selection for consultant. Audited cost of Feasibility Study was capped at US\$ 1.23 million. Feasibility study of the project was completed by CIWEC; however, CIWEC could not achieve the said target within the stipulated time. Resultantly, both parties agreed to terminate JDA and signed “Release Compensation and Termination Agreement” (RCTA), according to which PPDCL was liable to pay an amount of US\$ 1.23 million to the party for feasibility.

PPDCL received an amount of Rs 123.4 million in Assignment Account on June 29, 2017. The PPDCL transferred this amount in the account of PPDB on June 30, 2017. The PPDB returned this amount to the account of PPDCL on October 30, 2017. Since October 20, 2017, the amount was lying in the account of PPDCL and an interest income of Rs 27.611 million was earned up to October

2020. The management was hesitating to make payment to CIWEC because the selection of party was not made through competitive bidding. The management informed that the proposal for returning the said amount to Finance Department, Government of Punjab was under consideration and would be placed before PPDCL Board for seeking approval.

Audit was of the view that the management of PPDCL should not have drawn the amount from Assignment Account as the amount was meant for payment to the party after necessary pre-audit of the payment and not for transferring in the account of PPDB. The withdrawal of amount from Assignment Account and keeping it in BoP Account for earning of interest was irregular and against the instructions of Finance Department. The selection of the party was also irregular and questionable.

The matter was reported to the management on November 30, 2020. During SDAC meeting held on January 05, 2021, the management explained the history of the project and reasons to withhold payments of CWE. It was further stated that Payment against feasibility study of 120 MW Taunsa Hydro Power Project is still a liability of the company and PPDB is actively pursuing this project to be developed in private sector via competitive tariff bidding. In case of award of contract, PPDCL will have to pay the cost of Feasibility Study to CWE and recover from successful bidder. Therefore funds cannot be returned until the fate of 120 MW Taunsa Hydro Power Project is decided. The SDAC directed the management to obtain directions / clarity from PPDB on 120 MW Taunsa Hydro Power Project.

Audit recommends compliance of SDAC directives.

- 2.1.4.5** *i. Non-refunding the amount to Government - Rs 294.781 million*  
*ii. Refundable profit on the funds of Government of Punjab -Rs 61.507 million*

According to instructions of Government of the Punjab, the amount allocated for the Project is required to be refunded to the Government of Punjab in case of rejection or abandoning the project.

As per Rule 2.10 of the Punjab Financial Rules Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During the audit of Punjab Power Development Company Limited (PPDCL) for the years 2018-20, it was observed that the management of PPDCL paid a sum of Rs 294.781 million to Land Acquisition Commissioner on June 26, 2015 for acquiring land for the establishment of Coal Fire Power Plant near Sunder Lahore. The project was however, rejected by the Federal Government in May 2016. The management vide its letter dated June 21, 2016 requested the Collector Lahore District for refund of the said amount. In order to refund the advance payment, Challan No. LAC/92 dated August 03, 2016 was issued by LAC Lahore but due to non-availability of approval of the competent authority, the Challan was not deposited in PPDCL Account. The Challan was finally deposited in the account of PPDCL on August 17, 2018 due to unexplained reasons. The funds were transferred in the account of PPDCL with the delay of more than two years for which management failed to provide any justification.

Further, the funds were required to be returned to the Government of Punjab just after its receipt but despite clear cut instruction of Government of Punjab, the management of PPDCL instead of refunding this amount to Government of Punjab invested in the bank and earned a profit of Rs 61.507 million up to October 31, 2020.

Audit was of the view that the action of the management for investing funds in bank instead of returning to GoPB is considered irregular. Further, matter for releasing payment by PPDCL with the delay of more than two years was also not understandable and it is apprehended that these funds might have been used at somewhere else at LAC level for this period (August 03, 2016 to August 17, 2018).

The matter was reported to the management on November 30, 2020. During SDAC meeting held on January 05, 2021, the management explained that the reason for non-deposit of challan due to ambiguity in the government rules on return of ADP funds after expenditure. Moreover the funds were disbursed from

Assignment account to PPDCL and receiving the funds back in the same account was not possible. Moreover the refund to Government was delayed due to non-clarity on refund rules of ADP funds. The SDAC resolved that advice from Planning and Development Department (GoPB) should be taken on refund of funds.

Audit recommends compliance of SDAC directives.

**2.1.4.6 Loss of revenue due to not signing of Energy Purchase Agreement (EPA) – Rs 257.071 million**

The full tariff rates as allowed by NEPRA are to be paid by the respective electricity distribution companies i.e. Multan Electric Power Company (MEPCO) and Gujranwala Electric Power Company (GEPCO) subject to signing of EPA with the respective DISCOs after seeking necessary consent from National Power Purchase Agency (Guarantee).

During audit of Punjab Power Development Company Limited (PPDCL) for the year 2018-20, it was observed that a side agreement was made between PPDCL and MEPCO for pre-COD sale and purchase of electricity on January 05, 2017 according to which the seller (PPDCL) will dispatch the electricity to the main grid of MEPCO at Pakpattan at pre-COD rate of Rs 4.8815 per Kwh instead of COD rate of Rs 7.6541 per Kwh till the signing of Energy Purchase Agreement (EPA). Similarly a side agreement was made between PPDCL and GEPCO for pre-COD sale and purchase of electricity on July 31, 2017 according to which the seller (PPDCL) will dispatch the electricity to the main grid of GEPCO at Marala at pre-COD rate of Rs 5.8358 per Kwh instead of COD rate of Rs 9.1177 per Kwh till the signing of Energy Purchase Agreement (EPA). Further probe into the matter revealed that the EPA was not signed up till now (October 2020) and thus resulted into loss of revenue income of Rs 257.071 million up to June 2020.

Audit was of the view that due to non-signing of Energy Purchase Agreement (EPA), the Company sustained revenue loss of Rs 257.071 million. This indicated negligence on the part of PPDCL management which was held irregular.

The matter was reported to the management on November 30, 2020. During SDAC meeting held on January 05, 2021, the management explained that the company has achieved an agreement with Central Power Purchasing Agency (CPPA-G) regarding signing of Energy Purchase Agreement and moreover CPPA-G has issued directions to relevant DISCOs to sign EPA with PPDCL. CPPA-G has also allowed PPDCL the revenue arrears due to tariff difference between Pre-COD Agreement and NEPRA tariff therefore there was no loss of revenue to PPDCL. The management is following this matter on priority and expected to resolve this matter soon. The SDAC pended the para till compliance.

Audit recommends compliance of SDAC directives.

***2.1.4.7 Loss to Government on 22-MW Biomass based Power Project at Faisalabad - Rs 55.00 million***

According to rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

According to clause 6.4 (a) of the consultancy agreement, the Client shall pay an advance payment for mobilization of the consultants within 15 days after the signing of the contract. The advance payment will be equal to 10% of the consultancy costs and will be paid on submission of unconditional consolidated advance payment bank guarantee issued by any scheduled bank of Pakistan which will be set off proportionately through invoices.

During the audit of Punjab Power Development Company Ltd. for the year 2018-20, it was observed that a project for preparation of feasibility study for establishment of Biomass Power Project at Chak Jhumra, Faisalabad mandated through approval by the CM, Punjab with M/s AF Consult UAB & Haq Consult JV in 2016. In this regard Contract between the PPDCL & AF-Consult was signed on April 08, 2016 for gestation period of 27 months estimated to be completed in June 2018. The cost of feasibility was estimated as

Rs 152 million, out of which Rs 32.490 million was paid to the consultant up to June 30, 2020. The feasibility study was postponed and was under consideration for dropping at one stage due to policy of government.

However, on July 16, 2019, revised PC-II was approved at cost of Rs 55.00 million from P&D Department which was valid till June 2020 with the direction to complete the feasibility study and forward it to PPDB for establishment of scheme in private sector. However gestation period of the project has extended by Secretary Energy till June 30, 2021. In February 2020, the management paid an advance of Rs 1.900 million to the party from the company's account instead of Assignment Account. For the rest of payment the management on the instructions of Energy Department is very keen to pay to the party. The management briefed that the feasibility report will be sold to the intending private party for making investment on biomass project. It appeared that further incurrence on the feasibility study did not worth from any angle because there was hardly any chance for recovery of the cost of feasibility report from intending private sector party.

Audit was of the view that the action of the management for further investment of Rs 23 million on feasibility (Rs 55 million- Rs 32 million) considered irregular because chances of recovery of the cost of FR were remote without commitment from any private party. Since the project was meant for private sector, therefore, evaluation of feasibility study will naturally, be done by intending buyer, however, no performance guarantee till its evaluation by intending buyer was obtained which was considered irregular. The guarantees obtained against mobilization advance have expired and currently the management took cheque of Rs 1.900 million instead of bank guarantee which was also irregular.

The matter was reported to the management on November 30, 2020. During SDAC meeting held on January 05, 2021, the management explained that the Bio Mass based Power Project was an ADP funded scheme and has an approved PC II cost of Rs. 55 million. Moreover the additional expenditure of Rs 12.5 million has been discussed and approved in 56<sup>th</sup> Board meeting along with additional works. Moreover the advance payment made to consultant was liable

to deduction from his pending invoices. The consultant agreed to complete/update feasibility study without incurring further expense. The SDAC directed the management not to incur further expenses and directed to finalize the feasibility study and settle the issue of pending bills.

Audit recommends compliance of SDAC directives.

***2.1.4.8 Non-submission of PC-IV by the PPMU / PPDCL due to non-settlement of claims of plant construction contractor - Rs 882.000 million***

PC-IV is a Project closure report which is mandatory to be submitted to P&D Department on completion of each project.

During the audit of Punjab Power Development Company (PPDCL) for the years 2018-20, it was observed that the Punjab Power Management Unit (PPMU) was completed and handed over to Pakpattan Hydel Power Project and Marala Hydel Power Project to PPDCL in February 2017 and November 2018 respectively. Both Plants were being operated by PPDCL through operators and electricity generated there from is being sold to MEPCO and GEPCO respectively. The Plants along-with allied infrastructures were capitalized in the books of accounts but the PC-IV of both these projects were not finalized due to non-settlement of pending claims of the contractor amounting to Rs 882.00 million. The Executive Committee of the National Economic Council in its meeting held on January 06, 2020 considered the subject projects and recommended for financial close of the projects within the approved limit of Rs 6,332 million (Rs 4,545 million + Rs 1,787 million) up to June 30, 2020 after seeking administrative approval from the sponsoring agency.

Audit was of the view that the financial close of the subject projects should have been done well before June 30, 2020 as approved by ECNEC but the financial status of these was not finalized as yet. The action of the management of PPDCL as well as PPMU for non-finalization of the financial status of these projects after lapsing of a considerable period, considered irregular. Non-submission of PC IV even after two to three years of the handing over the projects to PPDCL is a violation of the instructions of the government.

The matter was reported to the management on November 30, 2020. The SDAC in its meeting held on January 05, 2021 assessed that submission of PC-IV is the joint responsibility of PPMU and PPDCL. The committee directed the management to submit PC-IV of the project at the earliest.

Audit recommends compliance of SDAC directives.

**2.1.4.9 Irregular treating of the cost of plants in the accounts as Grants instead of Equity just to conceal the losses of the Company - Rs 400.912 million**

Government of the Punjab invested in the Power Sector to overcome the shortage of electricity in the Province of Punjab. The invested amount in each Company is to be treated as Equity.

During the audit of the Punjab Power Development Company Limited (PPDCL) for the years 2018-20, it was observed that the Finance Department Government of Punjab injected equity in Power Sector Companies for erection of Plants namely QATPL Rs 21.500 billion, QASPL Rs 3.809 billion, PTPPL Rs 13.390 billion and PEHCL Rs 20.000 billion. Whereas in case of PPDCL, the Finance Department provided funds to Punjab Power Management Unit (PPMU) for erection of 4 Hydro Power Projects. Out of which, PPMU completed 2 projects Pakpattan Hydrel Power Project and Marala Hydrel and handed over to PPDCL in February 2017 and November 2018 respectively. The management of PPDCL recorded these two plants in the books of accounts as assets of the Company but instead of treating the value of these two plants as equity, the management showed in their books as Grants. This was done to conceal the losses of the Company and showing a rosy picture in the books of accounts as detailed below:

(Rs in million)

Name of Plant	Cost of Plant	Depreciation					Net Book Value
		2016-17	2017-18	2018-19	2019-20	Total	
PHPL	1,430.793	35.761	47.682	47.682	47.682	178.807	1,251.986
MHPL	3,760.683	-	-	95.188	126.917	222.105	3,538.578
<b>Total</b>	<b>5,191.476</b>	<b>35.761</b>	<b>47.682</b>	<b>142.870</b>	<b>174.599</b>	<b>400.912</b>	<b>4,790.564</b>

Audit was of the view that had the cost of plants been shown as equity, then the company sustained loss of Rs 202.283 million (Rs 198.629 million – Rs 400.912 million) instead of pre-tax profit of Rs 198.629 million in the annual accounts 2019-20. The depreciation in case of grants considered as deferred income and grants were reduced from equaling amount (Deferred liabilities) whereas in case of equity, the depreciation expenses debited to Expenses for the year. All companies of Energy Department treated the injected investment of government as equity but contrary to this the management of PPDCL has taken this amount as grant which is considered irregular.

The matter was reported to the management on November 30, 2020. During SDAC meeting held on January 05, 2021, the management explained that there were no clear directions regarding treatment of plant as equity in books of accounts. Audit stressed that management should take the cost of plant as equity contribution and issue shares to the Govt. of Punjab as in the case of PTPL & QATPL. The SDAC directed the management to take advice from Finance Department regarding treatment of Govt.'s investment as equity.

Audit recommends compliance of SDAC directives.

***2.1.4.10 Loss of revenue to the Company due to non-completion of Deg Outfall and Chianwali Hydro Power projects - Rs 2,916 million***

According to revised PC-II of the Hydro Power Deg Outfall, the completion date of the project was July 27, 2015 and completion date of Chianwali Hydro Power was February 07, 2016.

During audit of the Punjab Power Development Company for the years 2018-20, it was observed that the Punjab Power Management Unit awarded the Hydro Power Projects namely Deg Outfall and Chianwali Projects to a Contractor M/s Sinotec China in February 2013. Deg Outfall and Chianwali Projects were required to be completed in July 2015 and February 2016 respectively. The said projects could not be completed as yet and resultantly PPDCL had to bear power generation loss of Rs 2,916 million.

Audit was of the view that had the said projects been completed timely the management of PPDCL could have earned revenue of Rs 2,916 million through selling the power units to GEPCO.

The matter was reported to the management on November 30, 2020, the SDAC in its meeting held on January 05, 2021, directed the management to hold a fact finding inquiry to assess the reasons of delay in completion of the projects.

Audit recommends compliance of SDAC directives.

***2.1.4.11 Non-completion of works and provision of different items by the Contractor pertaining to Marala Hydro Power Project - Rs 55.501 million***

According to rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During audit of the Punjab Power Development Company for the years 2018-20, it was observed that the Project of Marala Hydro Power was handed over to PPDCL by the contractor in November 2018. However, the Punch List finalized by the PPDCL, shows that a large number of works are still to be completed by the contractor. Moreover, many items are to be provided. The value of such works/ items was Rs 55.501 million.

Audit was of the view that the management should have sorted out the issue with the contractor as period of more than two years had passed since handing over the plant. Moreover, defect liability period of the contractor has lapsed.

The matter was reported to the management on November 30, 2020. During SDAC meeting held on January 05, 2021, management informed that during current Canal closure, the pending work of punch list will be completed. The SDAC kept the para pending till completion of work.

Audit recommends compliance of SDAC directives.

**2.1.4.12 Non-recovery of insurance claim from M/s NICL - Rs 74.943 million**

Section-118 of the Insurance Ordinance, 2000 stipulates that it shall be implied term of every contract of insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, including filing of complete papers, for claiming the payment, the Insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements, whichever is later, pay as liquidated damages.

During the audit of PPDCL for the financial year 2018-19 and 2019-20, it was observed that management of PPDCL had informed NICL on April 01, 2018 about a defect incident in a Gear Box of unit No. 1 of Pakpattan Hydropower Project. The management arranged the repair work but it took lot of time and finally operation of Unit 1 started work on February 12, 2019 i.e. after more than 10 months. Due to carrying out repair work with extraordinary delay, the Company had to sustain huge power generation losses as detailed below:-

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount</b>
1.	Repair cost of the Gear Box	3,866,164
2.	Revenue loss of Unit No. as worked out by management of PPDCL for 318 days	71,077,037
	<b>Total</b>	<b>74,943,201</b>

Audit was of the view that the management should have placed order to the firm immediately without loss of time as the functioning of power generation Unit was directly related with earnings of the Company. It appeared that the NICL would not entertain complete claim because delay in placing order and allowing relaxed delivery schedule was the responsibility of management.

The matter was reported to the management on November 30, 2020. SDAC in its meeting held on January 05, 2021, directed the management to pursue the claim from NICL.

Audit recommends compliance of SDAC directives.

## **2.2.1 Punjab Thermal Power (Pvt.) Limited (PTPL)**

### **Introduction**

Punjab Thermal Power (Pvt.) Limited is a private limited company by shares incorporated under the aegis of Companies Ordinance, 1984 (now Companies Act 2017). The PTPL is owned by the Government of the Punjab through Energy Department. The objective of the company is to establish and maintain 1200 MW Re-Gasified Liquefied Natural Gas (RLNG) based Thermal Power Plants in Punjab within the stipulated timeline keeping in view the severe power shortage. The land for the project has been purchased measuring 578-Kanals, whereas, Government of the Punjab has already injected its equity of US\$ 180 million and expects to inject the remaining sum shortly.

### **2.2.2 Comments on Audited Accounts**

The management failed to provide annual audited accounts for the years 2016-17 to 2019-20 by December 31, 2020.

### **2.2.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

### **2.2.4 Audit Paras**

#### ***2.2.4.1 Non-finalization of annual accounts/financial statements for the years 2016-17 to 2019-20***

According to Section 223 (1&2) of the Companies Act 2017, the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company. The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company. In the case of a listed company the Commission, and in any other case the registrar, may, for any special reasons, extend the period for a term not exceeding thirty days.

Further as per Rule 10 of Corporate Governance Rules 2013, every Public Sector Company shall, within one month of the close of first, second and third

quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website. Public Sector Companies which are listed on the exchange shall prepare half-yearly accounts within such time period and undertake limited scope review by auditors as specified by the Commission from time to time.

During audit of PTPL for the years 2019-20, it was revealed that the management failed to finalize its annual accounts for the year 2016-17 to 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

***2.2.4.2 Non-claiming the compensation for damages / imposition of penalty on E.P.C contractor - Rs 26,582.400 million (US\$ 177.216 million)***

As per clause 8.7.1 of contract agreement in the event the contractor failed to procure the (a) the Taking-Over Certificate GT1 by the expiry of the Time for Completion GT1, (b) the Taking-Over Certificate GT2 by the expiry of the Time for Completion GT2; and/or (c) the Taking-Over Certificate for the Facility by the expiry of the Time for Completion for the Facility, the Contractor shall pay the Employer, as compensation for damages and not as penalty an amount determined in accordance with Schedule-10 (Liquidated Damages).

During the audit of Punjab Thermal Power (Pvt.) Limited (PTPL) for the year 2019-20, it was observed that the project was required to be completed within 791 days after signing of the contract. The date of signing of the contract was September 29, 2017 and thus required to be completed on November 30th, 2019 but contrary to this the project was delayed and yet not completed even after laps of more than 10 months of schedule time. At the end of August 31, 2020 the piping and E&I work of HRSG 1&2, installation of steam turbine and

auxiliaries, cooling tower, circulating water pump house, chlorination building, workshop Building, startup Boiler, roads and Housing Complex etc was still pending and was not completed. The management of PTPL neither pursued the matter with EPC contractor for completion of the plant within scheduled time period nor claimed any compensation of damage for delay in completion. As per formula given in clause 3.5 of Schedule 10 of contract the LD upto June 30, 2020 should be US\$ 177.216 million.

It was further observed that extension of time was also not granted to EPC contractor. Audit was of the view that management should take up the matter with contractor for early completion of the plant without further delay otherwise LD should be imposed on contractor.

The matter was reported to the management on November 30, 2020. During the SDAC meeting held on January 11 & 12, 2021, the management explained that the project completion was delayed primarily due to non-signing of concession agreements by the Federal Government entities i.e. CPPAG, SNGPL and PPIB, due to disagreement amongst them. Hence, it is expected that the extension in time as well as delay period cost may be allowed by NEPRA, as the reasons of non-signing of the agreements and delay are beyond the control of the company. The SDAC resolved that the para is pended till COD of the project.

Audit recommends compliance of SDAC directives.

#### ***2.2.4.3 Extra cost incurred due to delay in completion of Punjab Thermal Power Plant - Rs 595.116 million***

As per clause 2.2 section-6 (vol-I) of EPC contract signed between PTPL and M/s CMEC, the Time to complete the plant and services from the Commencement Date and for Simple Cycle Commercial Operations was (a) Unit 1: Four Hundred and Forty-Two (442) days from NTP and (b) Unit 2: Four Hundred and Fifty-Six (456) days from NTP. Similarly, The Time to complete the plant and services from the Commencement Date and for Combined Cycle Commercial Operations was (c) Unit 3: Seven Hundred and Ninety-One (791) days from NTP. The Contractor shall comply with the above deadlines of the Project and shall develop the project schedule on the same timelines.

During the audit of Punjab Thermal Power (Pvt.) Limited (PTPL) for the year 2019-20 it was observed that management entered in a contract/agreement with M/s CMEC (the EPC contractor) on September 29, 2017 for establishment of Punjab Thermal plant at Haveli Bahadur Shah (HBS) District Jhang. As per contract agreement 791 days were allowed to the contractor for completion of said project. The said time period was exhausted on November 30, 2019. There were some important work which need to be carried on by the company i.e. providing the running gas connections and gas to run simple cycle as well as combine cycle operations of the projects. Further, the company failed to complete 'financial close' formalities of the project due to which the Mandated Lead Arranger (MLA) i.e. Consortium of local banks did not finalize their term sheet with the company to finance the project. For this reason the management took up the matter with NBP for immediate loan of ten billion to meet immediate financial obligations of contractor. This resulted into extra avoidable cost of Rs 595.116 million on account of consultancy fee, insurance expenses, extension in LOS and loan arrangement fee.

Audit was of the view that due to non-completion of Punjab Thermal power plant as per agreed schedule the company has bear additional cost of Rs 595.116 million. Thus management should focus on timely completion of the Punjab thermal power plant to avoid further loss.

The matter was reported to the management on November 30, 2020. During the SDAC meeting held on January 11 & 12, 2021, the management explained that delay in project completion was mainly attributable to Federal government entities hence, it is expected that the extension in time as well as delay period cost may be allowed by NEPRA. Additionally, GoPb may take up the matter with GOP to allow all such additional cost as the delay was mainly due to GOP entities i.e. SNGPL and CPPA-G as discussed at ECC, CCOE and PPIB (PPIB has extended the LOS of company on the same reason that delay in signing of the concession agreements is/was beyond the control of PTPL) and same had already been deliberated on highest forum, including the PM office. The SDAC resolved that the para is pended till tariff true-up/determination of the project from NEPRA.

Audit recommends compliance of SDAC directives.

**2.2.4.4 Loss to the public exchequer due to non-completion of project - Rs 96,611.000 million**

As per clause 2.2, section 6 (vol-I) of EPC contract signed between PTPL and M/s CMEC, the time to complete the plant and services from the Commencement Date and for Simple Cycle Commercial Operations was (a) Unit 1: Four Hundred and Forty-Two (442) days from NTP and (b) Unit 2: Four Hundred and Fifty-Six (456) days from NTP. Similarly, the time to complete the plant and services from the Commencement Date and for Combined Cycle Commercial Operations was (c) Unit 3: Seven Hundred and Ninety-One (791) days from NTP. The Contractor shall comply with the above deadlines of the Project and shall develop the project schedule on the same timelines.

During the audit of Punjab Thermal Power (Pvt.) Limited (PTPL) for the year 2019-20 it was observed that management entered in a contract/agreement with M/s CMEC (the EPC contractor) on September 29, 2017 for establishment of Punjab Thermal plant at Haveli Bahadur Shah (HBS) District Jhang within 791 days after issuance of notice to proceed. The notice to proceed was issued on September 29, 2017 thus completion date was November 30, 2019. However, management failed to get the plant commissioned within due date. The unit rate of electricity produced from PTPL was only Rs 6.5374/kwh as compared to private Power plants (audit selected 4 private IPPs on sample basis having aggregate capacity of 1246 MW). The average unit rate of four private power plants was Rs 19.6337/kwh. Thus due to non-completion of PTPL as per deadline resulted expensive purchase of power / electricity by the CPPA-G from private power producers This resulted into loss of Rs 96.611 billion to the state for purchase of expensive electricity for public due to non-completion of PTPL.

The matter was reported to the management on November 30, 2020. During the SDAC meeting held on January 11 & 12, 2021, the management explained that the generation and dispatch of electricity is/was governed and managed under a proper framework made by inter-alia NPCC, GoP operates wide array of plants (a mix of thermal, hydel, nuclear and renewable). Moreover, the

delay is mainly attributable to the federal govt. entities. The SDAC resolved that the Para is pended for want of justification of delay.

Audit recommends compliance of SDAC directives.

#### ***2.2.4.5 Non-issuance of shares to Government of the Punjab - Rs 6,520 million***

The Govt. of the Punjab is the main sponsor of the 1200 MW Re-Gasified Liquefied Natural Gas (RLNG) based Thermal Power Plant in Punjab. The Govt. of the Punjab has approved to make contribution in the form of equity. The project cost was estimated as Rs 107.70 billion with debt to equity ratio of 70:30. Thus the equity amount of the project would be 18 billion.

During the audit of Punjab Thermal Power (Pvt.) Limited (PTPL) for the year 2019-20, it was observed that the total authorized and paid up share capital of the company was only Rs 10.00 million. Further it was revealed that balance sheet of the company has significant amount of Rs 6,520 million for deposit against shares. This amount was received from Government of the Punjab on account of its equity contribution, but the management of the company failed to enhance it authorized share capital to issue shares to the Government of the Punjab.

Audit was of the view that management should take appropriate steps to enhance its authorized share capital so that new equity shares could be issued and public interest should be safeguarded.

The matter was reported to the management on November 30, 2020, the SDAC meeting held on January 11 & 12, 2021, the management explained that the Authorized share capital was enhanced, shares for amount of PKR 33.6 billion have already been issued and remaining PKR 5.22 billion are pending for issuance subject to confirmation of Finance Department pursuant to Sponsor Support Agreement signed between Company, GoPB and project lenders. The SDAC reduced the para to PKR 6.520 billion and directed to take up the matter with Finance Department for issuance of shares of the above amount. Thus, the Committee pended the para till response from Finance Department.

Audit recommends compliance of SDAC directives.

## 2.3.1 Quaid-e-Azam Thermal Power Company Limited

### Introduction

Quaid-e-Azam Thermal Power (Private) Limited (QATPL) is a Private Company Limited by shares incorporated under the aegis of Companies Ordinance, 1984. The QATPL is owned by the Government of Punjab. The objective of the Company is to establish and maintain 1180 MW Re-Gasified Liquefied Natural Gas (RLNG) based Thermal Power Plants in Punjab within the stipulated timeline keeping in view the sever power shortage. The first Thermal Power Plant in this regard has been planned to be installed at Bhikki, District Sheikhpura.

### 2.3.2 Comments on Audited Accounts

2.3.2.1 The working results of the company for the years 2019-20 as compared with the previous years are as under:

(Rs in million)

	2019-20	% Inc/(Dec)	2018-19	% Inc/(Dec)	2017-18
Sales	67,511.077	(12.17)	76,868.491	641.35	10,368.647
Cost of Sales	53,298.188	(17.25)	64,409.030	612.57	9,039.014
Gross Profit	14,212.889	14.07	12,459.461	837.06	1,329.633
Administrative expenses	246.556	(18.25)	301.595	42.58	211.534
Other expenses	431.702	(82.48)	2,464.382	299.80	616.410
Other operating income	3,713.525	60.50	2,313.756	825.67	249.955
Finance cost	11,242.950	29.66	8,671.365	338.63	1,976.936
(Loss)/ profit before taxation	6,006.206	80.05	3,335.875	-	(1,225.292)
Taxation	-	-	-	-	-
(Loss)/ profit after taxation	6,006.206	80.05	3,335.875	-	(1,225.292)

(Source: Audited Annual Accounts)

Net sales of the company decreased by 12.17% from Rs. 76,868.491 million during the year 2018-19 to Rs. 67,511.077 million during the year 2019-20. The decline in sales during 2019-20 needs to be explained.

**2.3.2.2** M/s KPMG in their Audit Report raised qualification in paragraph “information other than the financial statements and Auditor’s report thereon” regarding non-provision of information to auditors which was materially inconsistent with the financial statements for the year 2019-20. The auditors concluded that there was a material misstatement of this other information. So, the non-provision of information other than the financial statements needs explanation.

**2.3.2.3** The long term liability against right of use of assets in the year 2019-20 was raised Rs. 106.542 million, which was zero in the year 2018-19, which needs explanation.

**2.3.2.4** The QATPL received Rs. 4,425.000 million from Government of Punjab against equity contribution during 2016-17. Despite passing of more than three years, neither the QATPL issued shares against this equity to Government of Punjab nor repayment along with interest cost was paid to Government of Punjab. The audit recommends for early settlement of this amount along with interest cost in case of loan/dividends in case of issuance of shares.

**2.3.2.5** Trade and other Payables includes Accrued Liabilities Rs. 1,120.062 million during 2010-20 as compare to Rs. 829.879 million registering an increase of 34.97%. The detail of said liabilities was not included in financial statements which need to be explained.

**2.3.2.6** The long term advances on account of stores and spares advanced by the company to the Long Term Service Contractor and Operation & Maintenance Contractor increased from Rs. 2,247.531 million during 2018-19 to Rs. 2,695.708 million during 2019-20. As per long term service agreement and O&M agreement, the complete payment was made to these contractors during 2017-18 and 2018-19 for purchase of spare parts as per list included in agreements and the contractor will be responsible for handing over complete spares and parts to QATPL at the end of agreement period. The abnormal increase of Rs. 448.177 million in spares and parts handed over to these contractors needs justification.

**2.3.2.7** Trade debts increased from Rs. 24,910.811 million in 2018-19 to Rs. 30,034.956 million in 2019-20. Exorbitant increase of Rs. 5,124.15 million in trade debts needs to be explained.

**2.3.2.8** Security deposits valuing Rs. 682.872 million are receivable from Bank despite expiry of Stand by Letter of Credit (SBLC) since more than two and half years. The management neither received the said amount from bank nor fresh SBLC was procured. The management needs to recover the said amount from bank at the earliest besides interest revenue.

**2.3.2.9** The QATPL has imposed liquidated damages valuing US\$ 53.93 million on EPC contractor due to delay in construction of Power Plant. QATPL has reduced the amount of LC opened by the QATPL in favour of EPC Contractor equal to the amount of liquidated damages. However, due to non-certainty of recovery of liquidated damages, QATPL has not recognized the liquidated damages as receivable from EPC Contractor. More than two and half years has been passed since Construction of Power Plant and QATPL has also paid/released the retention money Rs. 2,474.75 million during 2019-20 (i.e. Rs. 4,081.720 million payable as on 2018-19–Rs 1,606.966 million payable as on 2019-20). The Early settlement of dispute pertaining to liquidated damages needs to be made. Updated status of this dispute may be explained to audit.

**2.3.2.10** Sales Tax Receivable from FBR stood at Rs. 1,079.298 million for last two years and still unadjusted which needs to be justified. Sales tax refundable also increased from Rs. 3,526.387 million during 2018-19 to Rs. 3,698.435 million during 2019-20 which indicates that efforts were not made by the QATPL for early refund of sales tax. The audit recommends to make vigorous efforts for early refund of sales tax from FBR.

**2.3.2.11** An amount of Rs. 42.738 million was paid by the company on behalf of Punjab Thermal Power (Pvt.) Ltd. This amount has not been received for two years which needs early recovery.

**2.3.2.12** The company earned profit of Rs. 3,335.875 million in the year 2018-19 and Rs. 6,006.206 million in 2019-20. In spite of huge earning during last two years, the company did not pay a single penny to the government of the Punjab

on account of profit/ dividend despite facts that Government of Punjab is the sole owner of the company. This scenario needs explanation and justification besides payment of profit to Government of Punjab.

**2.3.2.13** O&M and Long Term Service (Fixed Fee Cost Components) increased from Rs. 840.243 and Rs. 885.954 million during 2018-19 to Rs. 980.339 million and Rs. 1033.717 million during 2019-20 registering an increase of 16.67% and 16.67% respectively. The increase in fixed fee cost component needs explanation.

**2.3.2.14** The company earned profit of Rs. 3,335.875 million in the year 2018-19 and Rs. 6,006.206 million in 2019-20. The management recognized as “receivable from CPPA-G against Corporate Taxes” of Rs. 1,100.670 million during 2018-19 and Rs. 1,452.377 million during 2019-20. The corporate tax is claimable from CPPA-G being a pass-through item under Power Purchase Agreement. However no liability for payment of said tax to FBR was recognized which needs explanation.

**2.3.2.15** Legal and professional charges increased from Rs. 3.710 million during 2018-19 to Rs. 17.906 million during 2019-20 registering an increase of 382.64%. The detail of legal cases may be provided with justification for this huge increase in legal and professional charges.

### **2.3.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were convened.

### **2.3.4 Audit Paras**

**2.3.4.1 i. Loss due to non-imposition of fuel cost incurred for removal of vibration fault in GT-1 – Rs 1,171.206 million.**

**ii. Non-recovery of fuel cost incurred for removal of vibration fault in GT-1 – Rs 1,142.358 million**

According to clause-7.4 of EPC Contract, any fuel required for carrying out repeat tests (due to the Contractor’s negligence, omission or non-performance), shall be the responsibility of the Contractor and the cost of the same shall also be borne by the contractor.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that Commercial Operation Date (COD) was scheduled on December 20, 2017. While the EPC contractor made test on completion, the vibration fault occurred in Gas Turbine (GT-1) due to which Complex (GT-1, GT-2 & ST) could not be Operationalized. Thus, the COD was delayed and finally, the COD was declared on May 20, 2018 after resolving the faults. As the COD was delayed due to poor performance of EPC contractor, the EPC Contractor was responsible for payment of cost of RLNG consumed during resolving of vibration fault i.e. from October, 2017 to April, 2018.

Accordingly, the management imposed penalty of Rs 1,142.358 million on account of cost of RLNG fuel consumption during removal of vibration fault of GT-1 which was not recovered. Further, it was observed that the major amount of this penalty pertains to the period of March, 2018 and April, 2018 and very minor amount of penalty was imposed for the month of October, 2017 to February, 2018. As the fault occurred during October, 2017 and remained unresolved till April, 2018, the penalty should also be imposed for complete cost incurred on account of RLNG consumption during October, 2017 to February, 2018 but the same was not imposed. Audit worked out the detail of penalty valuing Rs 1,171.206 million for the period of October, 2017 to February, 2018 which was not imposed by the management (CPPA Receipts + Penalty already imposed – RLNG Payments).

Audit is of the view that had the penalty been imposed and net cost of RLNG consumed, pertaining to vibration fault period, recovered from EPC Contractor, the company could have avoid of loss.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that the QATPL had claimed Rs 1,142.358 million from EPC contractor on account of vibration issue. The said claim for vibration issue is currently being evaluated/analyzed to determine the actual loss incurred by the Company i.e. RLNG bills minus the electricity generation revenue so that net loss is recovered

from the EPC contractor. The SDAC directed for early evaluation/reconciliation of actual loss occurred due to vibration.

Audit recommends compliance of SDAC directives.

**2.3.4.2 i. Non-payment of late payment charges by Central Power Purchase Agency - Rs 3,530.779 million**

**ii. Interest loss due to non-receipt of amount from CPPA - Rs 208.052 million**

According to clause-9.6(d) of Power Purchase Agreement, late payments by either party of amounts due and payable under this agreement shall bear interest at a rate per annum equal to the Delayed payment Rate i.e. KIBOR plus two percent per annum.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management raised invoices to CPPA on account of Delayed Interest Payment due to delay in payment of Energy & Capacity Invoices. The management claimed an amount of Rs 3,530.779 million up till June, 2020 excluding Rs 565.176 million which was adjusted by CPPA against the profit earned on Escrow Account up till June, 2019. An amount of Rs 1,902.193 million out of total delayed payment invoices valuing Rs 3,530.779 million was not paid by CPPA for more than one year. Thus, due to non-receipt of this amount, the company has sustained interest/income loss of Rs 208.052 million (Rs 1,902.193 million x 8.75% p.a./12 x 15 months) up till September, 2020 on the amount receivable for more than one year.

Audit was of the view that had the management made efforts for recovery of said amount from CPPA, the company could have earned profit of Rs 208.052 million on this huge deposit but the same was not done.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that due to ongoing issue of circular debt, the said payments were not made on priority basis by the power purchaser despite frequent follow-up. The SDAC directed to pursue the matter vigorously for early recovery.

Audit recommends compliance of SDAC directives

**2.3.4.3 i. Non-recovery of funds from SNGPL which remained unutilized -Rs 181.017 million**

**ii. Loss of interest income due to non-recovery of unutilized funds from last three years -Rs 32.945 million**

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management paid advance payment of Rs 1,250.350 million to SNGPL during 2016-17 for laying of 18 KMs Gas Pipeline from Qila Sattar Shah to Bhiki site of Power Plant. The said Pipeline was laid and commissioned during 2016-17 as both Gas Turbines of power plant (GT-1 and GT-2) were operational since May 07, 2017 and June 16, 2017 respectively. Thus, the management was required to obtain the actual expenditure incurred on laying of Gas Pipeline from SNGPL along with recovery of balance amount but no concrete efforts were made in this regard. During review of Final Revenue Requirement (FRR) for the year 2016-17 of SNGPL duly approved by OGRA on October 06, 2017, it was revealed that the SNGPL incurred an amount of Rs 1,069.333 million for laying of said pipeline and the same was allowed by OGRA for capitalization.

Resultantly, an amount of Rs 181.017 million (Rs 1,250.350 million – Rs 1,069.333 million) was required to be received back from SNGPL. The management should take up the matter with high-ups of SNGPL or for recovery of unutilized amount but the same was not done due to which huge amount was still receivable despite passing of three years. Due to non-receipt of this amount, the company also suffered loss of interest revenue of Rs 32.945 million.

Audit was of the view that had the company made efforts for timely receipt of unutilized amount from SNGPL the company could have also earned interest income of Rs 32.945 million besides receipt of principal amount.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that according to SNGPL audit certificate, Rs 1,183 million was consumed by the SNGPL in laying of Gas Pipeline and remaining amount will be recovered from SNGPL. The audit explained that OGRA approved the actual cost incurred by SNGPL for said pipeline in FRR for the year 2016-17 and accordingly, the QATPL should recover balance amount from SNGPL. The SDAC directed QATPL to recover balance amount from SNGPL in accordance with actual cost approved by OGRA.

Audit recommends compliance of SDAC directives.

#### ***2.3.4.4 Non-payment to workers from account of Workers' Profit Participation Fund -Rs 199.133 million***

According to clause-3(b) of the Companies Profits (Workers Participation Act, 1968, every company, to which the scheme applies shall pay every year to the fund not later than nine months after the close of that year five percent of its profits during such year. Further, as per clause-3(d), any amount left out of annual allocation after the units have been so allocated shall be transferred to the Workers Welfare Fund constituted under the Workers Welfare Fund Ordinance, 1971.

According to clause-9.3 of Power Purchase Agreement, the company shall be entitled to recover as a Pass-Through Item payments by the company into the Workers' Welfare Fund and the Workers' Profit Participation Fund in accordance with the laws of Pakistan. Further, as per clause 11.3 (a) payments by the Company into the Workers' Welfare Fund and Workers' Profit Participation Fund for its employees required to be paid in relation to the Project pursuant to the Laws of Pakistan.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management got

registered Workers Profits Participation Fund (WPPF) on July 09, 2018 and transferred an amount of Rs 199.133 million to WPPF on account of profit earned during 2018-19. However, contribution amounting to Rs 307.608 million (Rs 6,152.162 million x 5%) on profit earned during 2019-20 was not transferred to WPPF. Further, it was observed that the management could not made operational to WPPF as neither any managerial setup was maintained for operation of WPPF nor any payment was disbursed to company's workers from WPPF. During discussion with management, they contended that the wages of the company's workers are more than limits described in WPPF Act due to which no payment was made to workers. The contention was not acceptable as in case of non-admissibility of any worker, the said amount should be transferred to Workers Welfare Fund but the same was also not done. Due to non-operation of WPPF, the company could also not claim the same from CPPA.

Audit was of the view that the management should make WPPF operational as well as profit for the year 2019-20 be also transferred to the said fund so that the company could claim the same from CPPA.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that WPPF account is not yet active. Audit explained that management has not farmed the operative rules and regulation for WPPF Trust and directed to make it Operationalized. The SDAC directed the management to revise the policy.

Audit recommends compliance of SDAC directives.

#### ***2.3.4.5 Non-payment to workers on account of Workers welfare Fund - Rs 123.043 million***

According to clause-4(1) of the Workers Welfare Fund Ordinance, 1971, every industrial establishment, the total income of which in any year of account commencing on or after the date specified by Government in the Official Gazette in this behalf is not less than five lakh of rupees shall pay to the Fund in respect of that year a sum equal to two percent of its total income. As per Clause-4(2), every industrial establishment which is liable under sub-section-1 shall pay the amount due from it to the Taxation Officer having jurisdiction over the industrial establishment for purposes of the Ordinance.

According to clause-4(1) of the Punjab Workers Welfare Fund Act, 2019, every establishment or part thereof, the total income of which in any year of account commencing on or after the date of closing the of accounts on 30th of June or 31st of December, as the case may be, is not less than rupees five hundred thousand, shall be liable to pay to the Fund in respect of that year a sum equal to two percent of its total income. As per Clause-4(2), every establishment liable under the Act shall pay the amount due from it to by depositing in the Head of Account prescribed by the Governing Body within thirty days from the closing of accounts through the Authority.

According to clause-9.3 of Power Purchase Agreement, the company shall be entitled to recover as a Pass-Through Item payments by the company into the Workers' Welfare Fund and the Workers' Profit Participation Fund in accordance with the laws of Pakistan. Further, as per Clause 11.3 (a) Payments by the Company into the Workers' Welfare Fund and Workers' Profit Participation Fund for its employees required to be paid in relation to the Project pursuant to the Laws of Pakistan.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management failed to comply the instructions regarding depositing of 2% of profit to Workers Welfare Fund (WWF) maintain under Workers Welfare Fund Ordinance, 1971 up till 2018-19 and Punjab Workers Welfare Fund Act, 2019 from 2019-20 to onward. During 2018-19 and 2019-20, the company did not pay a single penny to WWF despite earning of profit. The payable amount to WWF became Rs 123.043 million. Due to non-payment to WWF, the company could also not claim the same from CPPA.

Audit was of the view that the management should made payment to WWF on account of 2% contribution of profit earned by the company by fulfilling its legal liabilities so that the company could claim the same from CPPA.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that Section-4 of Workers Welfare Fund Ordinance, 1971 pertains to Federal

Government and is not applicable to entities owned by Provincial Government. The WWF pertaining to Punjab Government will be deposited after receipt of relevant bank account details from Labor department. The SDAC reduced the Para amounting to Rs 123.043 million by excluding the amount of WWF pertaining to Federal Government.

Audit recommends compliance of SDAC directives.

**2.3.4.6 i. Non-receipt of Security Deposit despite expiry of SBLC for more than two years -Rs 682.872 million**

**ii. Loss of interest income due to non-receipt of security deposit after expiry of SBLC -Rs 113.613 million**

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management made Gas Supply Agreement (GSA) with SNGPL for provision of Gas to power plant for electricity generation. As per said agreement, the management ensured Gas Supply Deposits as guarantee equal to value of estimated RLNG volume to be consumed during three months for which the QATPL management opened Escrow Account with NBP equal to one month Gas Supply Deposit and provided Stand by Letter of Credit (SBLC) to SNGPL for remaining two month Gas Supply Deposits.

The Stand by Letter of Credit (SBLC) was issued on January 01, 2017 by the Bank of Punjab after obtaining lien on the deposits of Rs 682.872 million maintained with National Bank of Pakistan. The SBLC was to expire on January 29, 2018, however, it was extended for next six months i.e. up till July 29, 2018. After that, the management cancelled the SBLC and requested

Bank of Punjab to return the SBLC (in original) along with security deposit. The Bank of Punjab denied to do the same with plea that SNGPL has raised the claim against SBLC. The Bank of Punjab withdrew the amount under lien from National Bank of Pakistan on July 06, 2018 i.e. just 23 days before expiry the SBLC for onward payment to SNGPL. The claim of SNGPL was not on merit due to which Bank of Punjab could not make payment to SNGPL. As the SBLC was expired, the QATPL management should also take up the matter with Bank of Punjab for release of funds or payment of interest income on said deposit till clearance of dispute. The QATPL neither try to resolve the matter on priority nor requested the Bank of Punjab for payment of interest income on said deposit due to which company suffered loss of Rs 113.612 million.

Audit was of the view that had the management made efforts to resolve the issue or requested the bank for interest payment, the company could have earned Rs 113.612 million.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that vigorous efforts were made for receipt of security deposit. The bank refused to repay the security deposit till settlement of claim lodged by SNGPL and shall be released upon procurement of fresh SBLC. The SDAC settled the para subject to verification of efforts made by management. The audit contended that despite passing of more than 2.5 years since expiry of SBLC, neither fresh SBLC was procured nor security deposit was received back from Bank. Therefore, the para may be pended till recovery of security deposit.

Audit recommends compliance of SDAC directives.

***2.3.4.7 Excess transfer of profit to CPPA earned on Escrow Account - Rs 209.967 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and

confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management established RLNG based power plant at Bhiki, District Sheikhpura. The management made Gas Supply Agreement (GSA) with SNGPL for provision of Gas to power plant for electricity generation. As per said agreement, the management ensured Gas Supply Deposits as guarantee equal to value of estimated RLNG volume to be consumed during three months for which the QATPL management opened Escrow Account with NBP equal to one month Gas Supply Deposit and provided Stand by Letter of Credit (SBLC) as guarantee to SNGPL for remaining two month Gas Supply Deposits.

The management requested NEPRA to include the amount of Escrow Account in Project cost. The NEPRA accepted the management request and included the US\$ 35.772 million in project cost with the condition that profit on Escrow account will be the property of NEPRA. The NEPRA applied US Dollar rate of Rs 105 per US\$ to convert the Project cost into local currency for onward provision of return on equity and repayment of debt cost through NEPRA Tariff. Thus, the management should have deposited an amount of Rs 3,756.060 million (i.e. Rs 105 per US\$ x US\$ 35.772 million).

Whereas, the management deposited Rs 4,836.120 million in Escrow Account during December, 2016 which was more than the amount allowed by NEPRA. Further, during review of bank statement of Escrow Account, revealed that the end month closing balances of Escrow Account for the period January, 2017 to June, 2018 and July, 2019 to June, 2020 was more than the amount allowed by NEPRA as well as amount initially deposited by management. The whole amount of profit credited by Bank on Escrow account was transferred by management to NEPRA. Resultantly, the company suffered loss of Rs 209.967 million due to transferring of profit earned on excessive amount of deposit allowed by NEPRA.

Audit was of the view that had the management made payments to CPPA on the deposited amount allowed by NEPRA, the company could have saved Rs 209.967 million.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that at the time of Tariff determination, the escrow account balance worked out to be Rs 3.756 billion on the basis of RLNG rate of USD/MMBtu 7.75 and exchange rate of Rs/USD 105 and was accordingly allowed by NEPRA. The escrow balance will be actualized at COD and mechanism for its top up shall be defined by NEPRA during tariff true up. The Audit contended that the amount of escrow account was at higher side which needs to be actualized. The SDAC pended the para till the decision of NEPRA True Up Petition.

Audit recommends compliance of SDAC directives.

***2.3.4.8 Loss due to decrease in efficiency of Power Plant – Rs 1,306.511 million***

According to clause-3.4.2(c) of the O&M Agreement, the O&M Contractor shall perform the works and services so as to optimize the useful life of the Complex, minimize downtime for repairs and maximize the net revenues payable to the Company pursuant to the PPA and the other benefits to be derived by the company there under. As per clause-3.4.2(b), the O&M Contractor shall perform the works and services so as to produce the lowest heat rate and highest efficiency of the Complex.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management was raising energy revenue invoices to Central Power Purchase Agency (CPPA) against the electricity generated and transferred to National Power Control Center (NPCC). So on, the management was also receiving invoices from SNGPL on account of consumption of RLNG at Power Plant. During analysis of energy invoices raised to CPPA and received from SNGPL from Commercial Operation Date (COD) i.e. May 20, 2018 to June 30, 2020, it was observed that during particular months, the energy receipt from CPPA was less than the RLNG consumption cost.

The energy revenue invoices was consisting of two components i.e. fuel (RLNG) component and variable O&M component as determined by NEPRA. The audit also calculated net revenue on account of fuel component by excluding the revenue on account of variable O&M component and observed that the revenue pertains to fuel component was also less than the fuel (RLNG) cost of particular months. It was responsibility of O&M contractor to maintain the Power Plant at highest efficient level with primary motive to maximize the net revenue of the company but the said objective was not achieved by the O&M contractor. Due to improper maintenance during particular months, the efficiency of the plant was decreased resulted decrease in revenue of the company. The management was required to initiate action against O&M Contractor on account of decrease in efficiency of the plant but nothing was done. Resultantly, the company suffered loss of Rs 1,306.510 million on account of less revenue generation.

Audit was of the view that had the company initiated action timely against the O&M Contractor, the company could have avoided from loss.

The matter was reported to the management on October 12, 2020, during SDAC meeting held on January 11 & 12, 2021, the management explained that all invoices raised by QATPL so far are based upon reference efficiency i.e. 61.59% and QATPL will raise differential invoices based upon final efficiency as soon as it is approved by NEPRA in True Up. The audit contended that less generation of electricity in particular months rather than whole year indicated there was some issues with the power plant. The SDAC pended the para and instructed the company to give detailed technical report within one month to identify the reasons of efficiency loss in certain months.

Audit recommends compliance of SDAC directives.

**2.3.4.9 Non-recovery from O & M contractor on account of less generation of electricity due to non-maintenance of Once Through (OT) Cycle - Rs 433.740 million**

According to clause-11.3.1 (a&b) of Operation and Maintenance Agreement, during combined cycle operating period, the O&M contractor shall be responsible to perform the works and services related to each unscheduled

Maintenance event. Upon occurrence of an event which requires performance of Unscheduled Maintenance, the O&M contractor shall immediately notify the company or the occurrence of such event and shall within one day provide the company with the estimated cost of such unscheduled maintenance. In respect of each unscheduled maintenance event, the estimated cost of which is within US Dollars 150,000, the O&M contractor shall commence the works and services for such unscheduled maintenance immediately but not later than one day of occurrence of such event.

As per clause 13.1 of O&M agreement, consistent with all equipment operating manuals, O&M manuals, applicable standards and the company's objective of maximizing the economic efficiency of Complex operations, the O&M contractor shall operate the complex so as to optimize the useful life of the equipment and minimize downtime for repairs and it for intended purpose.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was observed that the Power Plant established at Bhiki, Sheikhpura started its commercial operation w.e.f May 20, 2020. The EPC Contractor constructed two facilities "i.e. one was Once Through (OT) Cycle and 2nd was Cooling Tower (CT) as alternate facility" for cooling and conversion of steam into water. The operation and maintenance was the responsibility of O & M Contractor as per clauses referred above which was not followed by the contractor. During operations, many faults occurred in operation of OT Cycle requiring immediately replacement of Spares Parts under unscheduled maintenance but the same was not arranged by the contractor due to which Plant was shifted on CT cycle. The management also did not initiate any action against contractor due to his failure on account of non-arrangement of the requisite parts.

Resultantly, it was observed that during last two years, the CT cycle remained operational for 268.98 days due to maintenance issues. The 125.91 operational days (394.89 days-268.98 days) of CT Cycle which were due to "canal level low, high turbidity, Heavy Poultry waste, dead animals in OT intake" have not been included in this analysis as it was due to unavoidable circumstances. The Power Plant by utilizing OT Cycle can produce 10 MW per

hour additional electricity as compare to CT Cycle during summer season and 6 MW per hour during winter season. Further, the operational cost of OT Cycle was less as compared to CT Cycle. Thus, due to fault in OT Cycle, the company suffered loss of Rs 433.740 million on account of generation of less electricity which should be recovered from O&M Contractor due to fault at his own part.

Audit was of the view that had the company pursued the matter timely with O & M contractor, the company could have avoided from loss on account of less generation of electricity due to operation of power plant on CT Cycle but no efforts were made in this regard.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that inspection of internal cleaning mesh and any necessary rectification of damage can only be done when entire complex is shut down and minimum estimated time to attend this issue is 3 days. O&M Contractor placed the PO for all necessary parts required for the rectification of the issue but due to Covid-19, arrival of parts to site was delayed because of flights unavailability and parts arrived at site in first week of August, 2020. Company has planned the rectification of issue during complex scheduled outage from 1<sup>st</sup> to 13<sup>th</sup> December 2020. The audit contended that Plant remained operational on CT Cycle for 395 days out of which 126 days was due to canal closure, high turbidity, etc. resulted net 269 days operation of plant on CT Cycle due to maintenance issues. The O&M contractor was responsible as per agreement for arrangement of spare parts within 15 days for unscheduled maintenance. Due to COVID 19 the contractor failed to maintain the OT cycle for long period. The para should be pended till recovery of loss on account of 10 MW/hr less generation of electricity due to operation of plant on CT cycle rather than on OT cycle. The SDAC pended the para with the direction to submit report within one month by removing fault in OT cycle and ensure that OT cycle remained operational.

Audit recommends compliance of SDAC directives.

***2.3.4.10 Loss due to non-recovery from EPC Contractor/Consultant on account of withdrawal of funds from Escrow Account by SNGPL - Rs 3,265.223 million***

According to clause-3.6(b) of Gas Supply Agreement, in case Monthly Take-or-Pay Quantity is not fully utilized by the Buyer in the Complex, the buyer may request the seller to divert any unutilized Monthly Take-or-Pay quantity to any other power plants and the seller shall arrange for such diversion at the cost and risk of Buyer subject to available capacity in its pipelines. If other power plants refuse or the seller due to technical constraints or any other reasons is unable to supply the diverted gas to the other power plants, the seller shall have the right to supply such gas to any of its consumers and the amounts recovered from those consumers shall, after making deduction of any additional charges incurred by the seller in arranging the sale, be paid by the seller to the buyer within 3 business days of receipt of such amounts (along with a copy of the invoice or any other document evidencing the selling price of the unutilized Monthly Take-or-Pay).

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was observed that the management established RLNG based power plant at Bhiki, District Sheikhpura during 2015 with schedule Commercial Operation Date (COD) in December, 2017. Accordingly, the management made Gas Supply Agreement (GSA) with SNGPL for provision of gas to power plant for electricity generation w.e.f. December, 2017. As per said agreement, the management ensured Gas Supply Deposits as guarantee equal to value of estimated RLNG volume to be consumed during three months for which the QATPL management opened Escrow Account with NBL equal to one month Gas Supply Deposit and provided Stand by Letter of Credit (SBLC) to SNGPL for remaining two month Gas Supply Deposits. The Escrow account was to be operated by the SNGPL management. Further, as per Take or Pay (TOP) clause of the agreement, in case of non-taking gas by QATPL, the SNGPL will provide the gas to consumers of other categories and will charge the price differential cost to QATPL.

The simple cycle (GT-1 & GT-2) was operational since May and June, 2017 and combined cycle (GT-1, GT-2 & ST) was to be operation w.e.f schedule Commercial Operation Date (COD) i.e. December, 2017. However, due to vibration fault in GT-1, the simple cycle remained stop till May, 2018 resulting non-utilization of Gas. Finally, the project was completed on May 20, 2020 i.e. the COD. Due to delay in COD, the management was required to inform timely to the SNGPL management for non-import of RLNG for the period December, 2017 to COD but the same was not done.

Resultantly, the SNGPL issued invoices to QATPL for the period December, 2017 to May 20, 2018 on account of price differential due to non-utilization of RLNG by QATPL under TOP (Take or Pay) clause of agreement and withdraw an amount of Rs 3,265.223 million from Escrow account on June 13 2018. As the RLNG was not consumed due to delay in COD, the said amount should be recovered from EPC contractor/consultant but the same was not done. The matter was discussed with management. The management contended that the LD was imposed on the contractor which was not tenable as LD was imposed due to delay in completion of project whereas, the said fine was imposed by SNGPL due to technical fault in GT resulted non-utilization of gas.

Audit was of the view that had the management timely informed to SNGPL management for non-import of RLNG, the company could have saved the huge amount but the same was not done. Further, as the COD was delayed due to fault in GT, the said recovery should be imposed on EPC contractor/consultant but the same was also not done.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that the said matter is with London Court of International Arbitration (LCIA) and maximum LD was already recovered from the EPC Contractor. The audit contended that SNGPL withdraw funds due to non-operation of project due to vibration fault for which EPC contractor and consultants are responsible. The SDAC pended the para till the final decision of LCIA.

Audit recommends compliance of SDAC directives.

***2.3.4.11 Extra burden on end consumer through NEPRA Tariff by including undue capital equipment/infrastructure in Project Cost - Rs 1,337.700 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management established power plant at Bhiki, Sheikhpura. Accordingly, the management submitted request to NEPRA for approval of NEPRA Tariff by including some capital equipment/infrastructure valuing Rs 1,337.700 million in project cost which was accepted by NEPRA. These capital equipment/infrastructure was not available at site of Power Plant except fifty bachelor rooms and eight family quarters which proved that the management failed to established above said infrastructure at site and on the other side cost of these infrastructure was included in project cost and transferred to end consumer through NEPRA Tariff as return on equity and repayment of debt service cost in respect of project cost.

Audit was of the view that the company should not submit request to NEPRA for inclusion of the same in project cost but the same was not done to obtain return on equity and repayment of debt service cost which resulted into extra burden on end consumer.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that the True Up petition has been submitted for finalization of Project cost and NEPRA Tariff. SDAC directed the management to pursue the matter with NEPRA for early finalization of True Up as more than 2.5 years have already elapsed since COD. The SDAC also directed to ensure the adjustment of actual

project cost in NEPRA Tariff from COD to onward as excess cost on account of unnecessary capital items was included in project cost.

Audit recommends compliance of SDAC directive.

***2.3.4.12 Non-payment of cost of working capital to Govt. of Punjab and non-settlement of terms and conditions of loan - Rs 4,425.00 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management established RLNG based power plant at Bhiki, District Sheikhpura. The 25% project equity was sponsored by Government of Punjab and remaining 75% equity was arranged by the company from consortium of the banks. The Government of Punjab also paid an amount of Rs 4,425.000 million during 2017-18. The management informed that the said amount was provided by management as working capital loan and will be returned after settlement of terms and conditions of said loans. Besides it, the management has also obtained working capital loan valuing Rs 11,674.995 million from banks.

It was pertinent to mentioned here that the NEPRA has allowed cost of working capital in NEPRA Tariff and the same was being paid by CPPA. Thus, the cost of working capital received from CPPA should be paid to Govt. of Punjab by keeping in view proportionate value of working capital provided by the Govt. of Punjab. However, not a single penny was paid to Govt. of Punjab. Further, despite passing of more than five years, neither the terms and condition of said loan was decided with Government of Punjab nor the said loan was returned to Government.

Audit was of the view that the management should pay the cost of capital to Govt. of Punjab and also settle the terms and condition of this loan so that the repayment of loan can be made but the same was not done.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that QATPL is in discussion with Working Capital Facility (WCF) lenders for return of Govt. equity through additional WCF but if lenders refuse this option, then QATPL would convert Govt. equity into Sub-ordinated loan, with the consent of lenders and Sponsor. The SDAC settled the para subject to return of working capital loan to Govt. of Punjab at the earliest. The audit contended that condition of working capital loan provided by Government of Punjab was not finalized despite passing of more than three years and there are no bars on these funds from other stakeholders and para will pended till payment of said loan along with cost.

***2.3.4.13 Non-transfer of return on equity to Govt. of Punjab received from CPPA through NEPRA Tariff – Rs 9,488.037 million***

According to clause-52 of Articles of Association, the company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors No dividends shall be paid otherwise than out of the profits of the company.

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed the management established Power Plant at Bhikki, Sheikhpura. The company was fully owned by Govt. of Punjab as all paid up share capital i.e. Rs 21,250.000 million was invested by Govt. of Punjab. The NEPRA allowed return on equity in NEPRA Tariff @

22.47% and included in NEPRA Tariff. Accordingly the CPPA was paying the return on equity to the company. The management was required to transfer the amount of dividend to Govt. of Punjab by getting duly approved in annual general meeting, however not a single penny was paid to Govt. of Punjab on account of profit earned by the company. Whereas, more than two years have passed since the start of successful operations of the company and company has eared profit valuing Rs 9,488.037 million during 2018-19 and 2019-20.

Audit was of the view that the management should transfer the return on equity to Govt. of Punjab being a sole owner of the company but unfortunately not a single penny was paid so far.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that according to conditions of Project Completion Date (PCD) mentioned Common Terms and Accounts Agreement (CTAA), Company cannot pay dividends until declaration of PCD and major condition of PCD is tariff true up and settlement of disputes with contractors etc. After, declaration of PCD, QATPL shall pay dividends subject to availability of adequate funds from CPPA-G. The SDAC settled the para with the instruction to pay dividends at the earliest. The audit contended that project is operational since more than two and half years and formality for declaration of project completion needs to be completed at the earliest. The profit earned by company is the property of Government of Punjab being a sole owner and the para should be pended till transferring of profit to Government of Punjab.

***2.3.4.14 Inclusion of excess cost of Gas Pipelines in project cost resulted in additional burden on end consumer - Rs 358.667 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was observed that the management requested NEPRA for inclusion of US\$ 13.600 million in Project cost for laying of 18 KMs Gas Pipeline from Qila Sattar Shah to Bhikki site of Power Plant which was accepted by management. The value of this Pipelines in local currency becomes Rs 1,428.000 million (US\$ 13,600,000 x Rs 105 per US\$). Whereas, the management paid Rs 1,250.350 million to SNGPL during 2016-17 for this Gas Pipeline. This scenario indicated that the excessive cost of Rs 177.650 million (Rs 1,428.000 million – Rs 1,250.350 million) was included in Project cost.

Further, as per Final Revenue Requirement approved by OGRA, the SNGPL incurred actual cost of Rs 1,069.333 million for laying of said Gas Pipeline resulted inclusion of actual excess value of Rs 358.666 million (Rs 1,428.000 million – Rs 1,069.333 million) in Project Cost. This excessive cost included in Project Cost was transferred to end consumer through NEPRA Tariff by providing return on equity and repayment of debt cost of the company.

Audit was of the view that the company should provide actual cost to NEPRA for inclusion of the same in project cost but the same was not done just to obtain return on equity which resulted extra burden on end consumer.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that the True Up petition has been submitted for finalization of Project cost and NEPRA Tariff. SDAC directed the management to pursue the matter with NEPRA for early finalization of True Up as more than 2.5 years have already elapsed since COD. The SDAC also directed to ensure the adjustment of actual project cost in NEPRA Tariff from COD to onward as excess cost on account of Gas Pipeline was included in project cost.

Audit recommends compliance of SDAC directives.

***2.3.4.15 Irregular capitalization of QATPL Power Plant's Gas Pipeline by SNGPL despite payment made by QATPL – Rs 1,069.333 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that

company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management made payment of Rs 1,250.350 million to SNGPL during 2016-17 for laying of 18-KMs Gas Pipeline from Qila Star Shah to Bhikki i.e. site of QATPL Power Plant. During review of Final Revenue Requirement (FRR) for the year 2016-17 of SNGPL duly approved by OGRA on October 06, 2017, it was revealed that the SNGPL incurred an amount of Rs 1,069.333 million for laying of said pipeline and the same was allowed by OGRA for capitalization. The QATPL also capitalized the cost of said Gas Pipelines as the payment was made by them and accordingly, the NEPRA also included the cost of this Pipeline in project cost. The dual capitalization of Gas Pipeline by both companies has created ambiguity regarding actual owner of this asset if any issue rise from any side in future. It was pertinent to mentioned here that SNGPL was responsible to lay Gas Pipeline and supply Gas through this Pipeline and could be capitalized it as the complete payment was made by QATPL.

Audit was of the view that the company should take up the matter with SNGPL for irregular capitalization of pipeline by them. In case of non-resolving the matter, the issue should be taken up with NEPRA as well as OGRA to avoid any ambiguity in future.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that the whole cost of setting up the pipeline has been borne and paid by QATPL. Hence as per the applicable laws and International Accounting Standards, amounts spent in constructing an asset shall be capitalized in Company's books of accounts. The SDAC pended the para and directed the company to take up the matter with SNGPL for ownership of assets.

Audit recommends compliance of SDAC directives.

**2.3.4.16 Dollar exchange loss due to non-hedging of Currency fluctuation risk  
- Rs 2,888.849 million**

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was observed that the management established RLNG based power plant at Bhikki, District Sheikhpura. The 25% project equity was sponsored by Government of Punjab and remaining 75% equity was arranged by the company from consortium of the banks.

The said finance facility was obtained mainly for payment of EPC, Consultancy, O&M, etc. contracts. However, it was observed that as per agreements, the major payments of these contract was made in US Dollars in pursuance of clauses included in agreements. The US Dollar base price was fixed @ Rs 105 per US\$ in agreement and subsequently, the US Dollars price was inflated upto Rs 165 per US Dollar due to which the company suffered Dollar exchange loss of Rs 2,888.849 million. The management should focus on trends of Pakistan's economy and hedging risk policy should be adopted to avoid exchange loss. As the US Dollars price as Pakistani have increasing trends from last many years, the company should initiate steps to avoid exchange loss. The exchange loss was ultimately shifted to public through NEPRA Tariff due to increase in generation cost.

Audit was of the view that had the management been focused on Pakistan's economy and took steps to minimize exchange loss, the company could have avoided exchange loss but the same was not done due to which additional burden on public was imposed.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that

indexation mechanisms for foreign exchange denominated tariff components have been stated by NEPRA in its tariff determination and indexations are applied accordingly. Further, one-time adjustment on account of foreign currency exchange was allowed by NEPRA against the reference exchange rate of Rs 105 per US\$ and the same has been claimed in True Up. The SDAC pended the Para till decision of NEPRA as well as compliance of the same.

Audit recommends compliance of SDAC directives.

***2.3.4.17 Unexplained expenditure disallowed by NEPRA - Rs 4,152.520 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed the management established Power Plant at Bhikki, Sheikhpura by investing an amount of Rs 85,000 million. The said amount was arranged on the basis of 75:25 debt equity ratio. The 75% portion i.e. debt was obtained from banks and 25% portion i.e. equity was invested by Govt. of Punjab. Accordingly, the management submitted petition to NEPRA for provision of NEPRA Tariff. The NEPRA analyzed the petition of company by including all types of expenditures required for development of power plant as well as administrative overheads during development phase. The NEPRA calculated final project cost valuing US\$ 769.976 million and applied the conversion rate of Rs 105 per US\$. Thus, the value of project cost in Pakistani currency calculated by NEPRA becomes Rs 80,847.480 million. The NEPRA allowed return on equity as well as repayment debt and debt cost in NEPRA Tariff by keeping in view the final project cost of Rs 80,847.480 million. The NEPRA allowed return on equity as well as repayment debt and debt cost in NEPRA Tariff by keeping in view the

final project cost of Rs 80,847.480 million. The detail of the expenditure valuing Rs 4,152.520 million (Rs 85,000.000 million – Rs 80,847.480 million) which was incurred by management have not been shared with audit.

Audit was of the view that had the management incurred expenditure by keeping in view the admissible items for project cost, the company could enjoy return on equity and repayment of debt cost from NEPRA on balance amount of project cost incurred for other purposes.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that to avoid any cash shortfall during the construction period and stoppage of construction due to lack of funds, certain contingencies were included in the project cost such as contingencies for exchange rate variation, KIBOR variation etc. so project cost of Rs 85 billion was envisaged. The project cost in any case shall be actualized in True Up tariff determination which has been submitted to NEPRA. The audit contended that management failed to provide whereabouts of this excessive project cost which was not allowed by NEPRA. The SDAC pended the para till the decision of True Up Petition in NEPRA

Audit recommends compliance of SDAC directives.

***2.3.4.18 Loss due to non-repayment of working capital loan despite availability of huge funds -Rs 1,673.157 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management obtained working capital amounting to Rs 11,674.990 million during 2017 for payments related to fuel cost. The working capital was a revolving fund which could be re-

paid in case of less need of working capital and again could be withdrawn as and when needed. The interest on working capital was to be paid on the amount remained under utilization of the company. During scrutiny of cash flow of the company, it was observed the company receipts during 2019-20 were Rs 94,317.800 million against the payments of Rs 77,381.785 million indicating a surplus balance of Rs 16,936.015 million. Despite availability of said huge surplus fund, the management did not repay a single penny on account of working capital and whole amount of working capital Rs 11,674.990 million remained outstanding during 2019-20 for which company paid interest valuing Rs 1,673.156 million during the year.

Audit was of the view that the management should review the cash flow of the company on monthly basis to ascertain the actual requirement of working capital but the same was not made due to which the company sustained loss on account of interest payments.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that combined effect of Energy Purchase Price (EPP) and Capacity Purchase Price (CPP) was given by audit which cannot be netted off and one stream of revenue cannot be used to settle other stream obligations. The audit contended that there are no restrictions for utilization of energy revenue against payment of working capital and management should manage its cash flow by keeping in view all types of receipts. The SDAC pended the para and advised the company to provide relevant documents regarding restriction for non-utilization of energy revenue against payment of working capital.

Audit recommends compliance of SDAC directives.

***2.3.4.19 Loss on account of late payment to SNGPL despite availing of working capital loan – Rs 591.794 million***

According to clause-9.5 of Gas Supply Agreement, if payment of any bill rendered by the Seller to the Buyer is not made by the due date, a late payment surcharge calculated at the Delayed Payment Rate i.e. one month KIBOR plus two percent per annum shall be applicable on any outstanding amount.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management received invoices from SNGPL on account of Delayed Payment surcharge as the management failed to make payments to SNGPL within due date. The SNGPL claimed an amount of Rs 591.794 million up till June, 2020. The management paid Rs 98.148 million on account of delayed payment surcharge and balance amount of Rs 493.646 million was payable as June 30, 2020. It was pertinent to mentioned here that the management obtained working capital loan valuing Rs 11,674.995 million at 3-months KIBOR plus 1.5% per annum and Rs 4,425.000 million working capital loan from Govt. of Punjab. Working capital loan was availed to meet the shortage of operational payments due to more time period gap between receipt from CPPA and payment to SNGPL. Thus, the late payment to SNGPL despite availing of working capital loan seems mismanagement of finance department of the company resulted loss of Rs 591.794 million on account of late payment.

Audit was of the view that the management should made payments timely to SNGPL from working capital but the same was not made resulting into loss to the company on account of late payment.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that sufficient funds were not available in the bank accounts of the company to pay SNGPL as only Energy Purchase Price (EPP) receipts could be used to pay RLNG bills to SNGPL. The audit contended that cash flow of the company indicated that there was no shortage of finance. Moreover, working capital facility was also fully utilized. The delay in payments indicated mismanagement with the intention that delayed payment charges was to be transferred to end user. The SDAC pended the para and directed the Company to provide month wise receipts and payments, bank statements of each month during the period along with detail of payments delayed to SNGPL.

Audit recommends compliance of SDAC directives.

#### ***2.3.4.20 Non-contribution in respect of Corporate Social Responsibility - Rs 94.880 million***

According to clause-8 of Corporate Social Responsibility (CSR) Guidelines 2013 issued by SECP, the company is expected to earmark specified resources, specific criteria or a proportion of their profit (preferably 1% to 2%) for selected CSR initiatives. The method of allocation of resources or identified criteria must ideally be predetermined, duly endorsed by the board and for part of CSR policy. According to clause 5(7-j) of Corporate Governance Rules-2013, the Board shall also formulate significant policies of the public sector companies which may include: Corporate Social Responsibility (CSR) initiatives including, donations, charities, contributions and other payments of a similar nature.

As per clause-7(2-t) of corporate governance rules-2013, significant issues shall include; report on Corporate Social Responsibility (CSR) activities. As per clause-17(2-d), key performance indicators of the public sector company relating to its social objectives and outcomes which significantly reflect the work and impact of public sector company and a comparison of actual results with the budgeted figures such indicators shall focus on as to how well the public sector company has responded to accountability requirements, improved service delivery, reduced costs and adherence to the principles of environmental and corporate social responsibilities.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management failed to contribute minor part of their profit for Corporate Social Responsibility (CSR). The CSR was to be utilized for welfare of deserving community of local area of the establishment. The SECP also issued guidelines for enforcement of CSR in accordance of Corporate Governance Rules-2013. More than two years have been passed from the successful operations of the company and company has earned profit valuing Rs 9,488.037 million during 2018-19 and 2019-20. The management was required to contribute valuing Rs 94.880 million for CSR (Rs 9,488,037,000 x 1% for CSR) however not a single penny was contributed in respect of CSR.

Audit was of the view that the management should contribute in CSR for local community but the same was not made in violation of SECP rules.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that constitution of Trust to undertake CSR initiatives is under process and CSR activities will be carried out once Trust is established. The SDAC pended the para and directed the Company to follow up the matter for constitution of the Trust.

Audit recommends compliance of SDAC directives.

**2.3.4.21 Additional interest payment due to delay in re-payment of Long Term Loan and interest cost on working capital loan – Rs 346.924 million**

According to clause-7.1 of Common Terms and Accounts Agreement, where any amount is required to be paid by the company under the Finance Documents at a specified time on a specified date and is not so paid or any amount is payable by the Company under Finance Documents within a specified period, the Company shall be liable to pay by way of liquidated damages (and not by way of interest, profit or mark-up) an additional amount calculated at the rate of 3% per annum above the mark-up from the due date for such payment to the date of actual payment.

According to clause-4.4.1 of Working Capital Facility Agreement, where any amount is required to be paid by the company under this agreement and other working capital documents at a specified time on a specified date, the company shall be liable to pay to the relevant working capital Financier by way of liquidated damages (and not by way of interest, profit or mark-up) an additional amount calculated at the rate of 1.5% per annum above the mark-up rate from the due date for such payment to the date of actual payment.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the CPPA paid Debt Service Cost (i.e. repayment of debt along with interest on debt) through NEPRA Tariff. However, the management failed to repay the loan to Finance Parties within schedule time due to which additional interest valuing Rs 285.150 million

for delayed period was paid by management. Further, at the end of Debt repayment period, the Finance Parties will also claim liquidated damages in accordance of agreement which becomes valuing Rs 56.321 million as on September 30, 2020 resulted over all loss valuing of Rs 341.470 million.

Moreover, the management also failed to pay interest payments on working capital loan within schedule time due to which at the end of working capital facility, the Finance Parties will also claim liquidated damages in accordance of agreement which becomes valuing Rs 5.453 million as on September 30, 2020.

Audit was of the view that had the management made payments timely on account of long term loan repayment and interest cost on working capital, the company could have avoided loss of Rs 346.924 million (Rs 341.470 million + Rs 5.453 million) but the same was not made which resulted into loss to the company on account of late payment.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 11 & 12, 2021, the management explained that no funds were available with the company and payments were instantly made, once received from CPPA-G. Furthermore, no LD has been claimed by any bank so far. The SDAC settled the para and directed the company to make best management efforts to ensure timely payments to the lenders. The audit contended that there was sufficient cash flow with management for timely payment to lenders, however, due adherence was not adopted. As per receipt and payment comparison, the company always in surplus. The CPPA was making payments regularly against the invoices raised by the company. The banks will never relax the company for late payment charges.

***2.3.4.22 Loss due to late payment to vendors on account of invoices raised in Foreign Currency -Rs 375.193 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and

confidential information by directors, executives and employees and claiming of expenses.

During the audit of Quaid-e-Azam Thermal Power (Pvt.) Limited (QATPL) for the period 2017-20, it was revealed that the management established RLNG based power plant at Bhikki, District Sheikhpura. The management made long term service agreement with M/s General Electric International. The payment of services was made in foreign currency. Further, the management also made payment in foreign currency to sub-consultants. Further, it was observed that the management made payments to vendors after significant delay from the date of receipt of invoices. In some cases, the payments was made by delaying more than one year. Due to delay in payments, the rates of foreign currency was inflated resulted extra burden on company exchequer. The matter for delay in payment was discussed with management, however, no justification was provided. The company suffered loss of Rs 375.193 million due to delay in payments of invoices pertains to foreign currency.

Audit was of the view that had the management made timely payments, the company could have saved Rs 375.193 million but the same was not done due to the reasons best known to the management.

The matter was reported to the management on October 12, 2020, during SDAC meeting held on January 11 & 12, 2021, the management explained that process of foreign currency payments involves obtaining NOC for waiver of Foreign Exchange (FE) allocation from Federal Ministry of Finance (MoF) and then submission of cases to State Bank of Pakistan (SBP) which involves 3-4 months. The audit contended that there was delay in payments of more than one year rather than time required for due procedure which resulted loss due to depreciation of currency. The SDAC pended the para for next meeting and instructed the company to give detailed reasons for unnecessary delay in payments.

Audit recommends compliance of SDAC directives.

## 2.4.1 Punjab Energy Holding Company Private Limited (PEHCL)

Punjab Energy Holding Company Private Limited (PEHCL) was incorporated in Pakistan under the repealed Companies Ordinance 1984 (now Companies Act 2017) on December 08, 2015. The registered office of the company is situated at 8th Floor, EFU Tower, Energy Department of Government of the Punjab, Jail Road, Lahore, Pakistan. The company is wholly owned by the Government of the Punjab.

The principal activity of the company as a provincial holding company is to undertake optional 2.5% working interest in exploration and production of oil and gas resources duly controlled and managed by renowned public and private sector oil and gas companies of Pakistan by becoming Joint Venture Partner with renowned operators as per Petroleum Policy 2012. As at the reporting date, the Company has not undertaken working interest in any exploration and production activities.

### 2.4.2 Comments on Audited Accounts:

2.4.2.1 The working results of the company for the year 2019-20 as compared to the previous years are given hereunder:

(Rs. in million)

	2019-20	%Inc/ (Dec)	2018-19	%Inc/ (Dec)	2017-18
<b>Expenditures</b>					
General and administrative expenses	26.007	10.80	23.471	(3.87)	24.416
Finance cost	3.180	6.00	3.000	39.28	2.154
<b>Total</b>	<b>29.187</b>	<b>10.26</b>	<b>26.471</b>	<b>(0.37)</b>	<b>26.570</b>
Finance income on short term Investments	1.041	(51.65)	2.153	116.82	0.993
<b>Loss before taxation</b>	<b>28.146</b>	<b>15.75</b>	<b>24.317</b>	<b>(4.93)</b>	<b>25.577</b>
Taxation	-	-	-	-	-
<b>Loss for the year</b>	<b>28.146</b>	<b>15.75</b>	<b>24.317</b>	<b>(4.93)</b>	<b>25.577</b>

(Source: Audited Annual Accounts)

From the above table, general and administrative expenses of the company appear to have increased from Rs 23.471 million in 2018-19 to Rs 26.007 million

in 2019-20 registering an increase of 11%. The major amount of these expenditures pertains to salaries paid to employees. It was noted that no increase in salaries was allowed by Government during 2019-20. Thus, the increase in salaries needs justification.

**2.4.2.2** As per Independent Audit Report issued by EY Ford Rhodes to BoDs raised qualification regarding non-provision of information to auditors which was materially inconsistent with the financial statements for the year 2019-20. The responsibility of the auditors is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. The auditors concluded that there was a material misstatement of this other information. So, the non-provision of information other than the financial statements needs explanation.

**2.4.2.3** The management received long term loan of Rs. 53.426 million (including Rs. 20.000 million pertains to current year i.e. 2019-20) against budget allocation for the year 2016-17 from Government of the Punjab. The loan is returnable in three equal installments starting from July 2020, whereas the company is continuously suffering losses since inception and accumulated loss of Rs 93.884 million as on June 30, 2020. Due to continuous losses, sustainability of the company is doubtful. Further, the company has not undertaken any working interest in any exploration and production activities (meaning no business on hand) except burden of salaries. In this situation the repayment of loan is remote. The reasons for non-participation in any business activities since last four years as well as mechanism planned by the company for repayment of loan needs to be explained.

**2.4.2.4** The travelling and conveyance expenses was increased from Rs 1.098 million during 2018-19 to Rs 1.746 million during 2019-20 registering an increase of 59.02%. The management did not take part in any exploration and production activities which indicates there were no business activities with the company. Thus, the increase in traveling expenses needs to be explained.

**2.4.2.5** Finance income on short term investments decreased from Rs. 2.153 million during 2018-19 to Rs. 1.041 million during 2019-20 registering abnormal

decrease of 52%. The major decrease in Finance Income was due to encashment of TDRs valuing Rs. 19.000 million. The encashment of TDRs was utilized for payment of salaries as neither any income was generated by the company during 2019-20 nor any grant was received from Government of Punjab. The cash and bank balance was also decreased to Rs. 0.516 million during 2019-20. So on, loss increased from Rs. 24.317 million in 2018-19 to Rs. 28.146 million in 2019-20 registering an increase of 16%. This scenario indicated that the viability of the company seems doubtful as presently no financial management plan exists with the company. The audit recommends to explain about this situation.

#### **2.4.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were convened.

## **Chapter-3**

### **Higher Education Department**

#### **3.1 Introduction**

Higher Education Department, (HED) is responsible for education, learning and related services for students, as well as Faculty/ teaching & non-teaching staff, serving in Public and Private Institutions in the province of Punjab. Its aim is to achieve a highly educated society; where educational opportunities are equally available for all young people in Pakistan, no matter what their social, ethnic, and cultural background or family circumstances are. To promote development of an enlightened and prospering Punjab by reinforcing knowledge economy along with a focus on equitable and quality learning. The realization of the higher education department's vision of "enlightened and prospering Punjab by reinforcing knowledge economy" rests on the shift from access to quality which is evident from the key initiatives it has taken in recent past. Improving quality of teaching, research and innovation, enhancing creativity and entrepreneurship and promoting equity, access, social cohesion and responsible citizenship.

#### **Objectives**

The basic aim of HED is not only to cater the educational needs of the target population i.e. the students, but also broaden their vision and mental horizon in order to equip them to deal better with the academic and economic challenges of the modern world. The realization of the higher education department's vision of "enlightened and prospering Punjab by reinforcing knowledge economy" rests on the shift from access to quality, and for realization of this vision the department has outlined following objectives:

#### **Functions**

The department of Higher Education Punjab has administrative and financial control of the multi-tier Higher Education sector in the Punjab. It manages more than 750 colleges with general as well as specific programs in 37 districts of the province. It also supervises 09 Boards of Intermediate and

Secondary Education, 25 Public Sector Universities and 26 Autonomous Educational Professional Institutions of Higher Education, Commerce Colleges.

### Governing Laws

- Ali Institute of Education Lahore Act, 2010
- Forman Christian College Act, 2004
- Global Institute Lahore Act, 2011
- Imperial College of Business Studies Lahore Ordinance, 2002
- Institute of Management Sciences Lahore Ordinance, 2002
- Institute of Southern Punjab Multan Act, 2010
- Lahore School of Economics Act, 1997
- National College of Business Administration & Economics Lahore Ordinance, 2002
- Punjab Kinnaird College for Women Lahore Ordinance, 2002

### Formations:-

Punjab Education Endowment Fund  
Lahore Knowledge Park Company

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	2	1	2,321.16	2,879.56
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

### **Classified Summary of Audited Observations**

Audit observations amounting to Rs 3.656 million were raised as a result of this audit. This amount also includes recoverable of Rs NIL as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

<b>Sr. No</b>	<b>Classification</b>	<b>Amount</b>
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	-
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	3.665

### 3.1.1 Punjab Education Endowment Fund (PEEF)

#### Introduction

The Punjab Educational Endowment Fund (PEEF) is a non-profit organization incorporated in Pakistan on December 31, 2008 as a Guarantee Limited Company under Section 42 of the Companies Ordinance, 1984. The company was established with initial seed money of Rs 2,000 million by Government of Punjab which has been enhanced to Rs 13,500 million in financial year 2015-16. As per Board of Directors decision dated February 10, 2009, the amount lying in Endowment Fund was invested for one year and after expiry of period of year, the amount was reinvested.

The main objective of the company is to provide equitable opportunities of education to under privileged but talented boys and girls especially from the southern districts of the province to bring them at par with more fortunate ones and to create a critical mass of talented youth for the development of society.

#### 3.1.2 Comments on Audited Accounts

3.2.2.1 The working results of the PEEF for the year 2019-20 as compared to previous years are as under:-

(Rs in million)

	2019-20	%Inc /(Dec)	2018-19	%Inc /(Dec)	2017-18
<b>Income</b>					
Interest income	1,672.82	61.38	1,036.54	6.97	969.01
Grant related to income recognized	1,205.04	(12.86)	1,382.94	(75.18)	5,572.00
Grant related to assets recognized	1.69	36.29	1.24	(19.48)	1.54
Grant and donations/other income	-	-	-	-	-
<b>Total</b>	<b>2,879.56</b>	<b>18.96</b>	<b>2,420.71</b>	<b>(63.00)</b>	<b>6,542.55</b>
<b>Expenditure</b>					
Program cost	2,183.34	(48.05)	4,202.66	(18.69)	5,168.84
Salaries & benefits	104.17	2.56	101.57	(8.90)	111.49
Admn & general expenses	29.61	32.19	22.40	(0.09)	22.38
Finance cost	4.05	-	-	-	26.55
<b>Total</b>	<b>2,321.16</b>	<b>(46.35)</b>	<b>4,326.63</b>	<b>(18.41)</b>	<b>5,302.71</b>
Excess of income over expenditure/ (expenditure over income)	558.40	(129.30)	(1,905.92)	-	1,213.29

Re-measurement loss on defined benefits	1.42	(34.56)	2.17	(17.49)	2.63
Surplus/(deficit) for the year	556.98	(129.19)	(1,908.09)	-	1,210.66
Funds transferred (from)/ to accumulated surplus	(117.479)	(64.33)	(2,011.69)	-	1,113.76
Funds transferred to endowment fund	(160.499)	54.92	(103.60)	6.91	96.90

(Source: Audited Annual Accounts)

Income under head Grant related to income recognized was decreased from Rs 5,572.00 million during 2017-18 to Rs 1,382.94 million during 2018-19 and Rs 1,205.04 million in 2019-20 registering a decrease of 75.18% and 12.86%. There abnormal decreases in income may be explained.

**3.2.2.2** Program cost of the company was decreased from Rs 4,202.66 million during 2018-19 to Rs 2,183.34 million in 2019-20 registering a decrease of 48.05%. This shows that management could not achieve Scholarship disbursement targets to the student which need to be explained.

**3.2.2.3** Accrued and other liabilities of the company although decreased from Rs 1,037.747 million in 2018-19 to Rs 642.660 million during the year 2019-20 yet it is still on the higher side. Nature and reasons for non-clearance of such huge liabilities needs to be explained despite heavy amounts are kept with company in shape of short term investment and bank balances.

### **3.1.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

### **3.1.4 Audit Para**

#### **3.1.4.1 *Irregular payment of scholarships to the students of COEs - Rs 3.665 million***

As per Scholarship Policy 2019-20 for Centers of Excellence (COEs), the minimum eligibility criteria for awarding of the Graduation/ Intermediate Scholarship, the prospective students must have;

- Punjab domicile
- Passed the Intermediate/ Metric examination in annual with at least 60% marks, conducted by the BI&SE of Punjab.

- Secured admission in the same year as of passing the intermediate examination.
- Their monthly family income is equal or less than Rs 30,000 per month.

During the audit of the Punjab Educational Endowment Fund (PEEF) Lahore for the years 2018-20, it was observed that the management made payment of Rs 3.665 million to various institutions/universities for the registered scholars having income more than Rs 30,000 month under the COEs in violation of the policy/MOU. The concerned institutions/universities submitted the nominations to the PEEF for getting of the scholarships on the prescribed Proforma without any supporting documents. Furthermore, the management paid scholarships to certain students whose monthly family income was less than Rs 30,000 per month without any supporting documents. Therefore, the nominations and payment amounting to Rs 3.665 million made to them was held irregular in audit.

Audit was of the view that management was required to investigate the irregular nominations of students made by the concerned COEs for those nominees having parent's monthly income more than Rs 30,000 per month before making payment to them but the same was not done which shows that undue financial favour was extended to COEs. Further the management made the payment against the COEs nominations on the basis of just single Performa without verifying the supportive documents and facts & figures on the basis of which the nominations were made in spite of the facts the PEEF have a full fledged field monitoring department for the verification of the deserving scholars

The matter was reported to the management on October 13, 2020. SDAC in its meeting held on January 13, 2021 directed the management to provide family income details of twenty nine students. The violation of criteria in award of scholarship be clarified.

Audit recommends compliance of SDAC directives.

### 3.2.1 Lahore Knowledge Park Company (LKPC)

#### Introduction

The Lahore Knowledge Park Company (LKPC) was established by the Government of Punjab to strategize, plan, undertake and oversee the development of knowledge & growth parks. The Lahore Knowledge Park is the company's inaugural and flagship project. LKPC operates under independent Board of Directors, which is comprised of members from Government, Academia and the Industry. It was incorporated in October, 2014 as a not-for-profit, large scale public sector company, registered under Section 42 of the Companies Ordinance, 1984. LKPC is owned by the Higher Education Department, Government of Punjab. The Company was given possession of a piece of land measuring 802 acres situated at Rakh Dera Chal by Higher Education Department, Government of Punjab on Bedian Road, Lahore which is the site of the Lahore Knowledge Park.

#### 3.2.2 Comments on Audited Accounts

3.2.2.1 The working results of the Company for the year 2019-20 as compared to previous year are as follows:

**(Rs in million)**

	<b>2019-20</b>	<b>% Inc/(Dec)</b>	<b>2018-19</b>
Grant related to income recognized	-	-	46.025
Grant related to assets recognized	2.647	(62.98)	7.150
Interest income	124.440	71.71	72.470
Other income	1.368	76.52	0.775
Total income	128.456	1.61	126.420
<b>Expenditure</b>			
Salaries & Benefits	75.956	(13.84)	88.159
Administrative & general Expense	28.939	(24.36)	38.261
Total Expenditure	104.895	(17.03)	126.420
Excess of Income over Expenditure	23.560	-	0

(Source: Initial Accounts)

The Company has received an amount of Rs 250 million as Grant from Government of Punjab. The Company is exclusively dependents on the Government Grants/interest income to run its operations. Management is required

to ascertain new prospect/horizon so that heavy dependence on Government Grant could be minimized and company could operate on self-sustaining basis.

**3.2.2.2** The company showed a surplus of Rs. 23.560 million during the year 2019-20 and interest income of Rs. 124.440 million. Total expenditures of Rs 104.895 million are only in respect of Salaries, Administrative and General Expenses. This indicated that the company did not have any its operational activities. Achievement of company in terms of its primary objectives may be explained.

**3.2.2.3** Capital Work in Progress includes an amount of Rs 370 million paid as advance to Infrastructure Development Authority of Punjab in 2018 for construction of entrance gate, boundary walls, watch towers and security roads at Lahore knowledge park site. Despite lapse of the period of three years the said construction could not be completed so far. The reasons for non-completion of construction work may be explained with full facts and figures.

**3.2.2.4** An amount of Rs. 19.747 million appears as a tax refunds due from Government as at June 30, 2020. The amount of tax could not be adjusted against any tax liability. The company is a non-profit organization setup under section 42 of the Companies Act, 2017 and mainly depends upon Government Grants and interest income from the investment in TDRs. Therefore, the company was required to obtain tax exemption from tax authorities. Reasons for non-taken up the matter of tax refunds with tax authorities and latest status of the tax refunds due from the government needs to be explained. Further copy of tax deduction and payment certificate from the tax deducting withholding agents may be obtained and provided to audit.

**3.2.2.5** Trade and other payables have been increased to Rs. 10.504 million as at June 30, 2020 from Rs. 9.797 million as at June 30, 2019. The reasons for non-clearance of such payables despite availability of sufficient funds may be explained.

**3.2.2.6** Loan and advances includes an amount of Rs. 153.00 million paid to staff as advance becomes nil during the year 2019-20. Details of such advances to staff alongwith its adjustment may be elaborated with supporting documents.

**3.2.2.7** Other income includes write-back liability of Rs. 1.362 million as at June 30, 2020. Reasons for this written back of liability needs to be explained.

**3.2.2.8** Capital Work in Progress increased by 55.55% from Rs. 276.937 million as at June, 2019 to Rs. 430.785 million as at June 2020. Latest status of Projects/Schemes completed and in process as well as reasons for non-completion needs to be explained.

**3.2.2.9** Rent, Rates and Taxes increased from Rs 9.882 million in 2018-19 to Rs 10.781 million in 2019-20. Details of said expenses along with the benefits attained there from needs be explained.

**3.2.2.10** An amount of Rs. 9.938 million be incurred on the security charges in 2019-20. Complete hiring process and copy of the agreement with the security company alongwith full Justification of the security charges need to be explained.

**3.2.2.11** The company failed to present and approved the annual audited accounts for the year 2019-20 from the BODs therefore it could not be signed by the Chief Executive and Chairman/Director so far which needs to be justified with facts.

### **3.2.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

## Chapter-4

### Industries, Commerce & Investment Department

#### 4.1 Introduction

The Industries, Commerce & Investment Department is one of the major Government Institutions striving to promote industrial development, trade and investment in the province. The main focus of activity is promotion of trade and investment in the province. The Government of the Punjab is keen on creating a business-friendly investment climate in line with the Federal Government Policies and present the Province of Punjab as an attractive investment destination for the entrepreneurs / investors

#### Aims & Objectives

The department works with the vision to encourage & promote Industry including Cottage Industry for sustainable growth, credit facilitation including Micro Financing, facilitation in Trade and Business, availability of Skilled Manpower, Consumer Protection and co-ordination in Price control.

The mission of the department is to create prosperity by strengthening the competitiveness of Punjab business environment, promoting trade by all means including competitive and efficient export supply chain and investment climate that helps develop the private sector, and addressing issues related to fair trade and compliance with international trade regime.

The major objectives of the department are:

- Promotion of Industry & Investment in the Province
- Advocacy and Implementation of Trade & Investment Policies of the Federal/ Provincial Governments
- Liaison with Private Sector, Trade Bodies and Trade Associations
- Creation of awareness about WTO related trade laws & standards
- Improve Product Competitiveness and Export Supply Chains
- Conduct research and provide Technical Expertise to Private Sector
- Regulate prices of essential commodities

### **Governing Laws**

- Industrial Statistics Act, 1942
- Land Acquisition Act, 1894
- Partnership Act, 1932
- Price Control and Prevention of Profiteering and Hoarding Act, 1977
- Protection of Economic Reforms Act 1992
- Punjab Consumer Protection Act 2005
- Punjab Industrial Development Board Act, 1973
- Punjab Small Industries Corporation Act, 1973
- Punjab Technical Education and Vocational Training Authority Act 2010

### **Ordinance**

- Apprenticeship Ordinance, 1962
- Companies Ordinance 1984
- Punjab Board of Technical Education Ordinance, 1962
- Punjab Industries (Control on Establishment and Enlargement) Ordinance, 1963

### **Formations:-**

- Faisalabad Industrial Estate Development and Management Company (FIEDMC)
- Punjab Board of Investment and Trade
- Punjab Industrial Development Board (Defunct)
- Punjab Industrial Estate Development and Management Company (PIEDMC)
- Punjab Model Bazaars Management (PMBMC)
- Punjab Small Industries Corporation (PSIC)
- Govt. Printing Press, Lahore
- Govt. Printing Press, Bahawalpur

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	8	2	7,376.40	7,465.44
2.	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3.	Foreign Aided Projects (FAP)	-	-	-	-

### Classified Summary of Audit Observations

Audit observations amounting to Rs 2,115.624 million were raised as a result of this audit. This amount also includes recoverable of Rs 334.830 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

Sr. No	Classification	Amount (Rs in million)
1.	Non-production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	51.667
b.	Procurement related irregularities	899.591
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	190.400
5.	Other	973.966

## **4.1.1 Punjab Industrial Estate Development and Management Company (PIEDMC)**

### **Introduction**

Punjab Industrial Estates Development and Management Company ("the Company") was incorporated in Pakistan on September 18, 2003 as a public company limited by guarantee, licensed as a non-profit organization under Section 42 of the Companies Ordinance, 1984. The Company is wholly owned by the Government of the Punjab. The principal activity of the Company is to develop new industrial estates together with updating the existing industrial estates as may be assigned by the Government of the Punjab. The registered office of the Company is situated at Commercial Area (North) Sundar Industrial Estate, Raiwind road, Lahore.

The Company is managing Quaid e Azam Industrial Estate (QIE) in Lahore and Multan Industrial Estate - Phase I (MIE I) in Multan while it is currently developing, Sundar Industrial Estate (SIE) in Lahore, Multan Industrial Estate - Phase II (MIE II) in Multan, Rahim Yar Khan Industrial Estate in Rahim Yar Khan, Bhalwal Industrial Estate in Bhalwal, Vehari Industrial Estate in Vehari and Quaid-e-Azam Apparel Park in Sheikhpura,

### **4.1.2 Comments on Audited Accounts**

The management failed to provide annual audited account for the years 2016-17 to 2019-20 by December 31, 2020.

### **4.1.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

### **4.1.4 Audit Paras**

#### ***4.1.4.1 Non- finalization of annual accounts/financial statements for the years 2017-18 to 2019-20***

According to Section 223 (1&2) of the Companies Act 2017, the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the

incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company. The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company. In the case of a listed company the Commission, and in any other case the registrar, may, for any special reasons, extend the period for a term not exceeding thirty days.

Further as per Rule 10 of Corporate Governance Rules 2013, every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website. Public Sector Companies which are listed on the exchange shall prepare half-yearly accounts within such time period and undertake limited scope review by auditors as specified by the Commission from time to time.

During audit of PIEDMC for the years 2018-20, it was revealed that the management failed to finalize its annual accounts for the years 2017-18, 2018-19 and 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

#### ***4.1.4.2 Appointment of retired officer In PIEDMC after superannuation – Rs 21.318 million***

According to S&GAD SOR 1-10-1/2003 dated June 16, 2003, re-employment on contract beyond the age of superannuation in all cases requires approval of the Prime Minister and Chief Minister as the case may be.

During the audit of PIEDMC for the years 2018-20, it was observed that the management appointed two officers on contract after superannuation from Governments departments in violation of above referred instructions of S&GAD.

Further record revealed that selection of officers was made by ignoring most experienced and most qualified candidates. Moreover, Mr. Mohammad Javed Ilyas was also an ex-employee of Engineering Consultancy Services of Punjab (ECSP) which was a consultant (company) for Project Management & Resident Supervision of the company for QAAP Project. Element of conflict of interest was also there in this selection.

Audit was of the view that the management was required to appoint the most suitable candidate but superannuated civil servant was selected in non-transparent manner which was held irregular. The payment of Rs. 21.318 million on account of salary was also held irregular.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 12, 2021, the Additional Secretary Admin/ Chairman of SDAC was of the view that the policy of re-employment of government civil servants / army personnel as provided in S&GAD notification dated June 16, 2003 was not applicable on public sector companies. It was decided with mutual agreement that PIEDMC will obtain clarification from Regulation Wing S&GAD in this matter.

Audit recommends compliance of SDAC directive.

**4.1.4.3 Excess payment of salary to employees due to irregular fixation - Rs 24.570 million**

As per clause 7.2 of HR Manual of PIEDMC, “This section outlines salary bands against the grades of PIEDMC’s employees. These salary ranges have been determined on the basis of compensation and benefits practices that are currently prevalent in the market”. The following table shows estimate of the salary ranges against the proposed grades within PIEDMC’s compensation and benefits model:-

<b>Grades</b>	<b>Designation</b>	<b>Maximum Salary Range (Rs)</b>
11	Senior GM, GM , Company secretary	400,000
10	Chief Engineer, Senior Manager	250,000
9	Manager	200,000
8	Deputy Manager	150,000

7	Assistant Manager	125,000
6	Officer	100,000
5	Support Staff	75,000

During the audit of PIEDMC for the years 2018-20, it was observed that the management failed to observe the provision of HR manual and paid higher salary than the maximum salary range which was held irregular. This resulted into fixation of higher salary of the 28 employees valuing Rs 24.570 million. Detail is shown in Annex-6.

Audit was of the view that the management was required to pay salary as per salary range which was ignored and resulted into excess payment amounting to Rs 24.570 million which was irregular in audit.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 12, 2021, the management stated that salary ranges given in HR manual are only for induction purposes and there is no restriction to award increment to any of the employee. The audit contended that HR manual of PIEDMC should have been got approved from the Finance Department. The SDAC directed the management to get clarification as to whether its HR manual requires vetting from Finance Department.

Audit recommends compliance of SDAC directives.

**4.1.4.4 Irregular retention of services of General Manager special project - Rs 4.379 million**

As per clause 5.6 of HR manual of PIEDMC, “During the probation period the new employee’s standard of performance, in terms of the duties undertaken and their conduct to determine whether the employees should have his or her appointment confirmed or terminated”. Further as per clause 5.6.4 (8) “In case of unsatisfactory performance during probation, the period may be extended for further upto three months or the employment may be terminated, as decided by the management”.

During the audit of PIEDMC for the years 2018-20, it was observed that the management made contract appointment of Mr. Khalid Khifah as General Manager Special Projects (PIEDMC Grade 11) vide appointment letter dated

September 01, 2015 for a period of three years at monthly basic salary of Rs 236,363 and medical allowance of Rs 23,637, plus company maintained 1300 CC car with driver with 300 liters petrol per month, actual mobile expense and group life insurance. On October 10, 2015 during probation period CEO of the company apprised that Mr. Khalid Khifah is not fit for the position of General Manger and recommended to consider him for the post of Manger Marketing and Customer Support. The said officer re-designated as Manager Marketing & Customer Support (Grade-09) on March 2016 at monthly gross salary of 150,000 plus other perks & benefit of Grade-09 and after one month again re-designated as Manager Special Projects on April 2016. On August 03, 2018 the said officer was released from PIEDMC due to unsatisfactory performance at the time of expiry of service contract. All the payment made to him in the form of salary amounting to Rs 4.379 million as Manager Marketing & Customer Support and Manager Special Project was considered irregular by audit as there was no provision in HR manual regarding demotion of the employee during probation.

Audit was of the view that management extended undue favor to the said officer by continuation of his services despite it was revealed during probation that he was not fit for the hired position and offer him the post of Manager Marketing & Customer Support and then Manager Special Projects. Thus, payment of Rs 4.379 million was held irregular in audit.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 12, 2021, the management stated that the individual has already left the company with effect from August 31, 2018. The audit contended that as he was not fit for the post against which he was hired hence his consideration for another post was irregular. The SDAC directed the management to conduct an inquiry and fix the responsibility.

Audit recommends compliance of SDAC directive.

#### ***4.1.4.5 Irregular award of contract of Waste - Rs 24.824 million***

As per Rule 42 C (iv) of Punjab Procurement Rules 2014, repeat orders not exceeding fifteen per cent of the original procurement.

As per Rule 5(1) of Public Sector Companies (Corporate Governance Rules) 2017, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. As per Rule 5(1) (b), misconduct includes ‘using the funds, assets and resources of the Public Sector Company without due diligence and care.

During the audit of PIEDMC (BoM-SIE & BoM-QIE) for the years 2018-20, it was observed that the management awarded contract for solid waste lifting, disposal and cleaning of roads of Sundar & Quaid-e-Azam Industrial Estate Lahore to M/s Clean Pak & M/s Daewoo Waste Busters (JV) for one year. It was noticed that upon the expiry of the said contracts the management again awarded the contract to the same contractors without adopting proper procedure. Detail is as under:

Name of Contractor	Date of Award/Period	Repeat Orders	Amount Per Month (Rs)	Total (Rs)
M/s Clean Pak	04.02.2019 to 04.02.2020	05.02.2020 to 29.04.2020	1,000,000	3,000,000
M/s Shafi & Co	01.10.2015 to 30.09.2016	01.10.2016 to 30.09.2017	350,000	4,200,000
		01.10.2017 to 30.09.2018	402,500	4,830,000
		01.10.2018 to 10.03.2019	402,500	2,415,000
M/s Daewoo Waste Busters	11.03.2019 to 10.03.2020	11.03.2020 to 10.03.2021	864,908	10,378,896
<b>Total</b>				<b>24,823,896</b>

It was also noticed that the management while granting extension to the contractor M/s Clean Pak recorded the reason that due to COVID-19 lockdown new tender was delayed where as it was evident from the record that expiry date of existing contract was February 04, 2020 (before lockdown) and tender notice was published in newspaper on March 15, 2020. However, management should have started the tender process well before the expiry of the existing contract.

Audit was of the view that award of contract to the same contractor without tender and exceeding 15% of the contract value was against the PP Rules hence was held irregular and unjustified.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 12, 2021, the management explained that clause of repeat order is/was not applicable on services and a clause was also available in contract agreement regarding extension with mutual consent. Audit did not agree and contended that PPRA Rules are applicable on both Goods and Services. The SDAC directed the management to get clarification regarding applicability of repeat order on services and on renewal of contract with mutual consent from PPRA within two months.

Audit recommends compliance of SDAC directive.

**4.1.4.6 Irregular award of civil work contract to M/s ECC-RAC JV - Rs 534.468 million**

According to clause-3.2.1 of the approved pre-qualification evaluation criteria of bidding document of “Infrastructure Development of Rahim Yar Khan Industrial Estate Phase-II, Rahim Yar Khan”, minimum 60% marks were required in each category and aggregate 65%.

During audit of PIEDMC for the year 2018-20, it was observed that the management advertised the pre-qualification of contractors for “Infrastructure Development of Rahim Yar Khan Industrial Estate Phase-II, Rahim Yar Khan” at PPRA website and in Business Recorder and Daily Nawa-e-Waqt on June 16, 2017. 20 contractors obtained tender documents while 9 contractors were pre-qualified for award of civil work. M/s Eastern Construction Company (ECC) and RAC (Raza & Co) Joint Venture were also included in these 9 pre-qualified contractors. As per technical evaluation, M/s ECC and RAC JV obtained 16 marks in category of financial position against required 60% i.e. minimum 18 marks hence did not qualify for pre-qualification. The consultant M/s Techno Legal Consultants also vetted the technical bid which was objectionable. The work was awarded to M/s ECC and RAC JV being lowest financial bid of Rs 534.468 million after voluntary rebate of Rs 4.00 million. This resulted into irregular award of civil work contract to M/s ECC and RAC JV valuing Rs 534.468 million.

Audit was of the view that the management and consultant was required to reject the pre-qualification bid of M/s ECC and RAC JV due to less marks from minimum 60% required in financial position. But contractor was pre-qualified and awarded the contract which was objectionable.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 12, 2021, the management stated that the work has been satisfactorily completed by M/s ECC-RAC JV at the most competitive price. No financial loss has occurred to the company. The Audit contended that the firm was pre-qualified in violation of criteria set by the company. The SDAC directed the management to conduct an inquiry and fix responsibility.

Audit recommends compliance of SDAC directive.

***4.1.4.7 Loss due to non-replacement of defective cable by the contractor - Rs 80.896 million***

As per General Conditions of the Contract (Infrastructure Development Works (Phase-I) at Rahim Yar Khan Industrial Estate) Clause 49.2 (b) “the Contractor shall execute all such work of amendment, reconstruction, remedying defects, shrinkages or other faults as the Engineer may, during the Defects Liability Period or within 14 days after its expiration, as a result of an inspection made by or on behalf of Engineer prior to its expiration, instruct the Contractor to execute”.

During audit of PIEDMC (RIE) for the years 2018-20, it was observed that management awarded a contract for Infrastructure Development Works (Phase-I) at Rahim Yar Khan Industrial Estate to M/s SKB on September 10, 2012. Actual date of completion of the contract was April 07, 2018 and Defect Liability Period was up to April 06, 2019. Further it was revealed that the contractor laid 1 core 500 mm Sq. HT cable for RMU-1 to RMU-9. The total value of the cable as per BoQ was Rs 167.676 million. The Project Director vide its letters dated March 19, 2020, April 11, 2020, May 20, 2020 and June 25, 2020 instructed M/s SKB to replace the faulty cable due to which frequent faults were occurring but the contractor did not change the same. It was also noted that management released 1st half of retention money amounting to Rs 39.876 million

without getting replacement of faulty cable by the contractor. Now the contractor is reluctant to change the cable as total cost of cable as per BoQ is Rs 167.676 million and his retention money with PIEDMC is only Rs 39.876 million. Management informed that final bill of contractor amounting to Rs 46.904 million was also not paid as yet due to non-replacement of faulty cable. The Bank Guarantees and Defect Liability Period had also been expired.

Audit was of the view that due to failure of management to timely inspect and test the cables, the Defect Liability Period (DLP) expired and 1st half of retention money was also released to the contractor. Resultantly, PIEDMC may suffer a loss of Rs 80.896 million (Cost of cable Rs 167.676 million – IPC Rs 46.903 million + Retention Money Rs 39.876 million).

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 12, 2021, the management stated that a meeting was held with contractor on September 3, 2020. The matter was discussed in detail. Contractor will replace and test all the faulty cables at his own cost. The SDAC kept the para pending till rectification of defects.

Audit recommends compliance of SDAC directive.

#### ***4.1.4.8 Loss due to non-allotment/sale of vacant plots in QIE since long - Rs 190.400 million***

As per Rule 5(5)(a)(i) of the Public Sector Companies (Corporate Governance) Rules 2013, “The principle of the probity and propriety entails that company’s assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to especially with respect to the handling of public funds, assets, resources and confidential information by Directors, executives and employees”.

During audit of PIEDMC for the years 2018-20, it was observed that as per Master Plan/Location Plan of QIE, 16 unsold plots (265-S to 280-S) were lying adjacent to the Park in front of BoM-QIE office. Plots measuring 14-marla each on both sides of the Park were illegally merged into the park which were meant for sale. Detail of plots and their value is given as under:

No. of Plots	DC Rate of the land	Total Area of plots	Total value of the unsold plots
Total 16 Plots (Plot No. 265-S to 280-S)	850,000 per Marla	224 Marla (14 Marla Each)	190,400,000

It may also be noted that QIE was handed over to PIEDMC in 2004 and is at ideal location and being the oldest estate demand of plots and market rate was very high. The action of management regarding merging the plots into Park and non-sale of plots deprived the company from revenue amounting to Rs 190.400 million.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 12, 2021, the management stated that these plots have not been declared officially as park and are property of PIEDMC. The SDAC directed the management to place the matter before BoD for appropriate decision of 16 plots as per master plan at the earliest.

Audit recommends compliance of SDAC directive.

***4.1.4.9 Non-insurance of work costing Rs 5,531.832 million and non-recovery of premium - Rs 5.53 million***

According to clause-21.1 to 25 of contract agreement, the contractor was bound to provide insurance policies for the persons, works and equipment etc. on the contract the sum of the contract price plus 15%. He was also required to get third party insurance (including employer's property) against liabilities for death of or injuries to any person or loss or damages to the property arising out of the performance of the contract. The Contractor shall provide evidence to the Employer as soon as practical but in any case, prior to the start of the work all at site that the insurances required under the Contract have been affected and shall provide the insurance policies to the Employer. The Contractor shall also submit in original receipts of all the premiums paid by the Contractor in connection with the insurances.

During audit of PIEDMC for the years 2018-20, it was observed that management did not obtain insurance policy from the contractors as per provisions of agreement. The government work remained un-insured for a long period but neither the mandatory insurances of the works were obtained nor the

amount of premium was deducted from the contractor. This resulted in non-insurance of work, equipment and personnel and non-recovery of Rs 5.53 million (0.1% of Rs 5,531.832 million + 15%).

Audit was of the view that insurance policies were not obtained due to non-adherence to the provisions of the agreement.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 12, 2021, the management informed that out of 14 contracts pointed out by audit, the insurance was provided by the contractors in three contracts which was verified by the audit. The SDAC directed the management to recover/deduct amount from contractor in remaining 11 projects and also conduct the inquiry and fix responsibility.

Audit recommends compliance of SDAC directive.

#### **4.1.4.10 Non-compliance of Corporate Governance Rules**

As per Rule-4(1) of the Public Sector Companies (Corporate Governance) Rules, 2017, Every Public Sector Company shall publish and circulate a statement along with its annual report to set out the status of its compliance with these rules, and shall also file with the Commission and the registrar concerned such statement along with its annual report.

During audit of the PIEDMC for the years 2018-20, it was observed that management failed to comply the following Public Sector Companies (Corporate Governance) Rules, 2017:

<b>Sr. No.</b>	<b>Provision of Rule</b>	<b>Rule No.</b>
1	The independent directors met the criteria of independence as defined under the rules	2(d)
2	The Directors have confirmed that none of them is serving as director on more than five public sector companies and listed companies simultaneously, except their subsidiaries	3 (5)
3	The appointing authorities have applied the fit and proper criteria five in the annexure to the rules in making nominations of the persons for election as board members under the provision of the Act	3 (7)
4	The company has prepared a "code of conduct" to ensure that professional standard and corporate values are in place The board has ensured that appropriate steps have been taken to	5 (4)

	disseminate it throughout the company along with its supporting policies and procedures including posting the same on the company's website	
5	The board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interest, and the procedure for disclosing such interest.	5(5)(b)(ii)
6	The board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company	5(5)(b)(vi)
7	The board has developed a vision or mission statement, corporate strategy of the company	5(6)
8	The board has approved the profit and loss account for and balance sheet as at the end of the first second and third quarter of the year as well as the financial year end.	10
9	All the board member underwent an orientation course arranged by the company to apprise them of the material development and information as specified in the rules.	11
10	The director, CEO and executives, or their relatives are not directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company	18
11	A formal and transparent procedure for fixing the remuneration packages of the individuals directors has been set in place and no director is involved in deciding his own remuneration. The annual report of the company contains criteria and details of remuneration of each director.	19

Audit was of the view that non-adherence to the rules & regulations are a serious lapse on the part of management which required immediate corrective action.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 12, 2021, SDAC directed that PIEDMC management should make compliance of SECP's Report under the rules.

Audit recommends compliance of SDAC directive.

## **4.2.1 Punjab Model Bazaars Management Company (PMBMC)**

### **Introduction**

In order to provide facility for common masses to purchase good quality commodities of daily use in a neat/ clean atmosphere in respectable manner at the prices less than the market, in 2011, Punjab Government decided to establish Model Bazaars with permanent structure in major cities/ districts of Punjab. To monitor establishment/ construction and functioning of Model Bazaars, a Provincial Steering Committee (PSC) under the Convenorship of Mr. Muhammad Afzal Khokhar, MNA/ has been constituted.

At present, Model Bazaars are functional at Bahawalpur, Sahiwal, Sargodha, Gujranwala, Rawalpindi, Jampur (Rajanpur), Faisalabad, Gujrat, Kasur, T.T. Singh & Lahore (Township, Harbanspura, Thokar Niaz Baig, Raiwind & Sabzazar). One Bazaar each at Sialkot, Khanewal, Faisalabad and four at Lahore (Mian Plaza, Johar Town, China Scheme, Sher Shah Colony & Chung) are under construction. Proposal of new/ additional Model Bazaars at Bhera (Sargodha), Pattoki (Kasur), Gujrat (additional) and Meat Market and Food Court at Raiwind (2nd Phase) are under consideration.

Most of these Bazaars are working successfully and earning good fame and profit. Total profit, so far earned by the Model Bazaars is Rs 75.275 million. Concerned DCOs look after/ manage the establishment/ functioning of Model Bazaars through Model Bazaar Welfare Organizations. Convener PSC, Secretary IC&I and Focal Person Model Bazaars/Chief WTO, IC&I Department also monitor/visit the Model Bazaars

## 4.2.2 Comments on Audited Accounts

4.2.2.1 The working results of the of Punjab Model Bazaars Management Company (PMBMC) for the year 2019-20 as compared to previous years are as under:-

(Rs in million)

	2019-20	%Inc/ (Dec)	2018-19	%Inc/ (Dec)	2017-18
<b>Income</b>					
Rental Income	376.222	24.596	301.954	26.651	238.414
Other Income	28.628	711.681	3.527	79.674	1.963
Profit on deposits on bank	7.888	(4.191)	8.148	(2.768)	8.380
Amortization of grant	89.756	(10.298)	100.060	102.105	49.509
<b>Total</b>	<b>502.495</b>	21.467	<b>413.689</b>	38.698	<b>298.266</b>
<b>Expenditure</b>					
Administrative and operating expenses	487.524	20.025	406.184	38.655	292.946
Other expenses	4.078	(9.034)	4.483	9.368	4.099
Finance cost/ bank charges	0.014	(53.333)	0.030	(73.451)	0.113
<b>Total</b>	<b>491.616</b>	19.703	<b>410.697</b>	38.208	<b>297.158</b>
Surplus/(Deficit) before taxation	10.879	263.603	2.992	170.036	1.108
Taxation			-		-
<b>Net Surplus/ (Deficit)</b>	<b>10.879</b>	263.603	<b>2.992</b>	170.036	<b>1.108</b>

(Source: Annual Audited Accounts)

Administrative and operating expenses increased to Rs 487.524 million in 2019-20 from Rs 406.184 million registering an increase of 20.025% over previous year. The increase was mainly due to increase in salaries, wages, honorarium and other benefits Rs 301.548 million in 2019-20 as compared to Rs 196.793 million in 2018-19 registering an increase of 53.23% which needs justification.

4.2.2.2 Balance Sheet was showing an amount of Rs 309.816 million on account of cash at bank as at June 30, 2020. Funds were lying in the saving account without determining the working capital requirements of the company and investment of surplus funds in the most profitable investment scheme in order to earn more revenue. The reasons for keeping huge funds in savings account may be communicated besides investing the surplus funds in more profitable investment schemes.

**4.2.2.3** The rent receivable from stallholders increased to Rs 41.342 million in 2019-20 from Rs 0.739 million in 2018-19 registering a huge increase of 5494%. Further, an allowance for expected credit loss of Rs 1.919 million was charged against rent receivable (note-6) in financial year 2019-20. Reasons for such a huge increase in receivables as well as reasons for charging impairment loss against these receivables needs to be explained and justified.

**4.2.2.4** An amount of Rs 2.037 million (note-16) was incurred on insurance expense by the management for the financial years 2019-20 as compared to zero expenditure in previous year which needs clarification.

**4.2.2.5** An amount of Rs 2.369 million was incurred on account of Uniforms expense during the year 2019-20 whereas as amount of Rs 1.414 million was incurred during the year 2018-19 registering an increase of 67% which needs justification.

**4.2.3 Compliance of PAC Directives:**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

### **4.3.1 Punjab Small Industries Corporation (PSIC)**

#### **Introduction**

Punjab Small Industries Corporation was established under the Punjab Small Industries Act 1973 as a corporate body. Administration and management of the corporation and its affairs is vested with the Board which may exercise power to do all acts and things in accordance with the provisions of the Act. Main function of the Corporation is to establish Small Industrial Estates and to take such measures as it deem fit to render assistance in the establishment and development of small, cottage and other industries.

#### **4.3.2 Comments on Audited Accounts:**

The management failed to provide the audited accounts for the years 2013-14 to 2019-20 by December 31, 2020.

#### **4.3.3 Compliance of PAC Directives:**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

#### **4.3.4 Audit Paras**

##### ***4.3.4.1 Non-finalization of annual accounts/financial statements for the year 2013-14 to 2019-20***

As per section 34 (1) of PSIC Act 1973 the Corporation shall furnish to Government as far as possible, within four months of the close of each financial year an audited statement in the prescribed form of its assets and liabilities of commercial undertakings and transactions as they stand at the close of that year, together with a profit and loss account for the year and a full report on the working of the Corporation during the year, and copies of the said statements, account and report shall be published in the official Gazette.

During audit of Punjab Small Industries Corporation, it was revealed that the management failed to finalize its annual accounts for the years 2013-14 to 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

**4.3.4.2 Non-transparent appointment of Project Director for Metal Craft Artisan Village and payment of - Rs 1.400 million**

Clause (IV)(iii) of Punjab Contract-2004 Policy and rule 17 of the Punjab Civil Servants (Appointment and condition of Service) Rules, 1974 require that initial recruitment (either on regular or contract) against all posts in BS-1 and above shall be made on merit. As per clause (VIII) (i) of contract policy under the chapter titled “Fundamental Rights” of the constitution of Pakistan, equality of citizens and safeguard against discrimination in services has been guaranteed

During audit of Punjab Small Industries Corporation, Head Office (PSIC, HO) for the year 2018-19, it was observed that the management advertised the post of Project Director in press on 22 March, 2019. In response certain candidates submitted their CVs and relevant documents. On scrutiny of final merit list signed by the recruitment committee, it was found that candidate at serial No. 1 Ms. Istrahat Waheed had obtained higher marks i.e. 80 without interview marks against other candidates. Management informed that the committee offered appointment to the candidate but she refused to join before the committee. Resultantly the management appointed Mr. Muhammad Husnain Amin who had less marks and irrelevant experience of 02 years on 17.04.2019 at monthly salary of Rs 100,000. Therefore, his appointment was non-transparent as evidence of offering and refusal of Ms. Istrahat was not available in the recruitment file. Thus the payment of salary of Rs 1.400 million upto June 2020 paid to him was considered irregular.

Audit was of the view that management should have made appointment of Project Director in transparent manner instead of selection of favorite candidate but the same was not done which was considered undue favour.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. The SDAC directed to hold an inquiry at administrative level and fix responsibility on the person(s) at fault. They further directed to ensure transparent appointments in future.

Audit recommends compliance of SDAC's directions.

**4.3.4.3 Loss due to non-encashment of performance guarantees of defaulted contractor -Rs 35.575 million**

As per clause 64 of tender documents any excess payment made to the contractor inadvertently or otherwise, under this contract or on any account whatsoever, and any other sum found to be due to the government by the contractor in respect of this contract, or ever, may be deducted from any sum whatsoever payable by government to the contractor, either in respect of this contract of any work order or contract, or on any other account by any other department of the government, or recovered from the contract as arrears of land revenue.

During audit of PSIC for the year 2018-19, it was observed that the management awarded three contracts to M/s KBC & SCE for Rs 711.500 million with completion period of 10 months to eighteen months. However, the work of all contracts could not be completed till the close of audit i.e. June 2020. Further it was revealed that the performance guarantees Rs 35.575 million were received, which have been encashed by the respective defaulting contractor with the collaboration of Director Works and its staff in connivance with Mr. Sikandar Zulqurnain (Contractor) through forged documents instead of PSIC. Due to this PSIC sustained the loss of Rs 35.575 million as detailed below: -

<b>(Rs in million)</b>				
<b>Name of Work</b>	<b>Bank Guarantee No</b>	<b>Contract amount</b>	<b>Dated</b>	<b>Guarantee Amount</b>
Construction of PSIC House, Lahore	LG16900100005817	427.31	16/09/16	21.365
Construction of Road & Drainage, Contract No.01, SIE Wazirabad.	LG16900100006443	206.08	02/12/16	10.304
Construction of PHE Work, contract No.02 SIE, Wazirabad	LG16900100006417	78.11	29/11/16	3.906
<b>Total</b>		<b>711.50</b>		<b>35.575</b>

FIR has been lodged with the Anti-corruption on May 28, 2020 and matter has also been referred to the NAB to recover such huge amount from the contractors

Audit was of the view that the management granted undue favor to the contractor by non-encashment of performance guarantee and the work was not completed at risk and cost of contractor.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. The SDAC directed the management to recover the loss from concerned by pursuing the case at relevant forums and record may be got verified from audit.

Audit recommends compliance of SDAC's directions.

***4.3.4.4 Loss due to non-payment of cost of land to the land owners in timely manner - Rs 42.597 million***

As per rule 2.33 of Punjab Financial Rules (PFR), every Government Servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will be personally held responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action of negligence.

During audit of PSIC Regional Office Gujranwala for the year 2018-19, it was observed that management acquired land of 106 Acres 16 marlas for the development of SIE-II Gujranwala in 1980. The cost of land was deposited in Government treasury determined by the revenue staff in 1980. Two parties namely Mr Rehmat Khan and Mr Zia ul Qammar filed suits for revision of price of land in the court of law, which was revised from Rs 634.78 per marla to Rs 1,576.47 per marla alongwith 8% compound interest on the judgment of Senior Civil Judge, Gujranwala on March 21, 2003. The decision was also maintained by the Supreme Court in its decision held on March 21, 2006. This was happened due to negligence of PSIC management because case was not followed by the PSIC management in the court of law as during legal proceedings District

Attorney Gujranwala appeared on behalf of PSIC but the management failed to point out this fact before the Courts. In 2009 the said parties filed execution petition in the court for payment of compensation at revised rate alongwith 8% compound interest rate. In May 2019 total amount of compensation increased from Rs 2.406 million to Rs 45.003 million including compound interest of Rs 42.597 million.

Audit was of the view that had the management been vigilant about the case in a timely manner and pursued the case through their legal counsel and made payment timely to the land owners then the payment of compound interest amounting to Rs 42.597 million to two Land owner Parties could have been avoided but the same was not done which is inefficiency on the part of management.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. The SDAC directed to recover the amount from concerned allottees and got it verified from audit. It was also directed that two inquiry committees may be constituted by PSIC: i) Legal Team of PSIC may review the case to challenge the amount of Markup imposed due to non-payment of cost of land. ii) PSIC may hold inquiry for any negligence on the Part of Legal Team

Audit recommends compliance of SDAC's directions.

#### ***4.3.4.5 Non-execution of remaining civil works at the risk and expense of defaulting contractor - Rs 128.669 million***

As per clause 61 of tender documents, in every case in which the contract should be rescinded under clause 60, hereof and in the opinion of the Engineer - in-charge such work should be done at the risk and expense of the contractor without thereby avoiding the contract or relieving the contract from any of his obligations or liabilities under the contract or affecting the rights and powers conferred on the Government or the Engineer-in-charge by the contract, the Engineer-in-charge on behalf of the Government after giving fourteen days' notice in writing to the contractor.

During audit of PSIC Head Office, Lahore for the year 2018-19, it was observed that M/s KKB & SCE was awarded three work orders for Rs 206.070 million, Rs 78.113 million & Rs 350.00 million for two work orders at SIE, Wazirabad and one work order at PSIC House, Lahore respectively. The contractor went into default at both sites and failed to complete the work. Details of work are as under:-

(Rs in million)			
Particulars of work order	Contract cost	Cost of work done	Cost of remaining work
Road Works of SIE, Wazirabad	206.070	196.815	13.644
Sewerage & Water Supply Works, Wazirabad	78.113	51.557	4.025
Building Work, At PSIC House, Lahore	350.00	260.266	111.00
<b>Total</b>			<b>128.669</b>

Remaining work estimate proposed by the management was Rs 128.669 million, which should be got done from another party at the risk and cost of the defaulted contractor to save the further delay under the above referred clause but the management did not take any initiative in this regard which indicated non-professional attitude of the management.

Audit was of the view that management should have got the remaining work done at the risk and cost of defaulted contractor to save further loss to the estate but the same was not done.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. SDAC directed to execute the remaining civil work at the risk and cost without any delay and recover the loss if any from the defaulted contractor.

Audit recommends compliance of SDAC's directions.

**4.3.4.6 Loss due to non-recovery of liquidated damages from defaulted civil contractors - Rs 42.731 million**

As per clause-39 of tender documents, the time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor. The work shall throughout the stipulated period of the contract be proceeded with all

due diligence in accordance with the program of work as approved by the Engineer-in-charge from time to time (time and quality being deemed to be the essence of the contract on the part of the contractor) and the contractor shall pay as compensation an amount equal to one percent of the amount of contract, subject to a maximum of 10% or such smaller amount as the Engineer in-charge (whose decision in writing shall be final) may decide, on the amount of the estimated cost stated in item (b) of the memorandum of work annexed hereto for every day. Moreover, as per clause 39 (b) that the work maintains un commenced or unfinished after the proper date by the contractor, compensation maximum upto 10% shall be paid by him.

During audit of PSIC, HO for the year 2018-19, it was observed that management awarded work order valuing Rs 427.310 million for construction of PSIC House, Lahore to M/s KKB & SEC in January, 2017. The work was to be completed within 18 months i.e. upto June 30, 2018. However, the work could not be completed upto June 30, 2020 and contractor went into default after completion of 60% civil work. They also encashed their performance guarantees of Rs 35.575 million from bank. Further, probe into the matter revealed that as per contract the responsibility of obtaining different NOCs from various Government Department i.e. LDA, TEPA, Governor House etc was of the said contractor. The said contractor had taken two extensions of 17 months for obtaining NOCs from the government departments but the same could not be obtained upto August 31, 2019. Therefore, the management was required to recover liquidated damages of Rs 42.731 million (Rs 427.731 million x 10%) from the defaulted contractor under the above stated clauses of tender documents but same was not done due to which PISC sustained loss to that extent. Whereas, the management lodged FIR against the said contractor with Anti-Corruption Department, Government of the Punjab on encashment of performance guarantees.

Audit was of the view that management was required to recover liquidated damages from the defaulted contractors but the same was not done which showed undue favoritism and loss had to be borne by the organization.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. The SDAC directed to effect recovery from the defaulted contractor and got it verified from audit.

Audit recommends compliance of SDAC's directions.

**4.3.4.7 Loss due to non-recovery under different heads from the defaulted contractor M/s SEC and KBC - Rs 9.831 million.**

As per clause 64 of tender documents, any excess payment made to the contractor inadvertently or otherwise, under this contract or on any account whatsoever, and any other sum found to be due to the government by the contractor in respect of this contract, or ever, may be deducted from any sum whatsoever payable by government to the contractor, either in respect of this contract of any work order or contract, or on any other account by any other department of the government, or recovered from the contract as arrears of land revenue.

During audit of Punjab Small Industries Corporation, Head Office for the year 2018-19 it was observed that the contractor M/s KBC & SEC failed to complete the construction work of PSIC, House and SIE, Wazirabad despite granting extensions to them and went into default. They illegally got released the performance guarantees and submitted bogus documents to PSIC in place of them. However, PSIC management failed to recover /adjust the amount of Rs 9.831 million under different heads from them due to which the organization sustained loss upto that extent. Detail is as under:-

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount in Rs</b>
1.	Mobilization advance given to contractor	1,896,727
2.	Advance given to contractor for purchase of floor tile (2'x2') & Electric Cable	3,234,583
3.	WAPDA Demand Notice not deposited by the contractor	1,500,000
4.	Steel (b)	1,877,825
5.	Dismantling cost to be recovered from contractor	1,321,440
	<b>Total</b>	<b>9,830,575</b>

Audit was of the view that management has taken lenient action to recover those amount from the defaulted contractor owing to which PSIC had to bear such loss which showed loose internal controls in the organization.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020, the SDAC directed the management to execute the remaining civil work at the risk and cost of the contractor without any delay and recover the loss, if any from the defaulted contractor.

Audit recommends compliance of SDAC's directions.

**4.3.4.8 Loss due to less deduction of PST from various civil contractors - Rs 26.69 million**

As per Finance Department letter dated October 5, 2016, Sr. No. 02, Construction services and services provided by contractors of building, roads and bridges, multi-discipline works and similar other works, the PST @ 1% will be deducted. The PST rates revised @ 5% from July 01, 2018.

During audit of PSIC, for the year 2018-19, it was observed that management did not deduct PST from the payments made to the various construction services contractors, due to which Government exchequer sustained loss of Rs 26.69 million. The detail of less deduction of PST is as under:-

**(Rs in million)**

<b>Name of the Project</b>	<b>Name of contractor</b>	<b>Amount paid</b>	<b>PST deducted</b>	<b>PST less deducted</b>
PSIC House	KKB & SCE JV	257.484	0.08	2.49
SIE IV-Gujranwala, Building & Boundary Wall Contract 03	Ch Abdul Ghafoor Goheer	112.453	1.24	4.38
SIE Wazirabad Roads & Drainage contract 1	KKB & SCE JV	205.084	0	2.05
SIE Wazirabad PHE Works contract 2	KKB & SCE JV	54.083	0	0.54
Metal Craft Kot Abdul Malik		115.64	0	5.78
<b>Total</b>		<b>1,430.72</b>	<b>10.31</b>	<b>26.69</b>

Audit was of the view that undue favor was granted to the contractors by less deduction of PST from their payments.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. SDAC accepted the contention of audit and directed to deduct tax according to applicable rates at the time of payment and record may be got verified from audit.

Audit recommends compliance of SDAC's directions.

#### **4.3.4.9 Non-auction of PSIC redundant properties -Rs 1,759.882 million**

PSIC Board of Directors in its 104th meeting held on Feb 27, 2019, recommended disposal of PSIC redundant properties.

During the audit of Punjab Small Industries Corporation, Lahore for the year 2018-19, it was observed that PSIC had 67 properties of Rs 1,759.882 million at different location in Punjab but since long these could not be utilized or rented out to earn rental income due to which these were declared as redundant by the Board in Feb 2019. This indicated that these properties were either established un-necessarily or should be auctioned. The detail of these properties is as under:

<b>Sr No</b>	<b>Region</b>	<b>Nos of Properties</b>	<b>Nature of Properties</b>	<b>Estimated Market Value (Rs )</b>
1	Bahawalpur	3	Industrial Plots, Artisan Workshops and Servant Quarter	30,000,000
2	D G Khan	1	Open Plot	50,000,000
3	Multan	5	Industrial Plots and open spaces	18,377,500
4	Lahore	6	Industrial Plots, Extra Area, Carpet Center Building	34,700,000
5	Gujranwala	8	Petrol Pump, Commercial, Residential Quarter, open front Area Patti	989,760,000
6	Sargodha	2	Industrial Plots	9,020,000
7	Faisalabad	22	Industrial Plots and Open space	214,800,000
8	Rawalpindi	20	Open spaces, Industrial Pot & Res Bldgs etc.	413,225,000
<b>Total</b>				<b>1,759,882,500</b>

Moreover, while reviewing the minutes of BoD, it was revealed that the total of Rs 2,307.482 million was misstated, whereas the total stated values came to Rs 1,759.883 million, and the difference of Rs 547.597 million was misreported to BoD.

Audit was of the view that no proper vigilance was exercised by the management either for establishment of such properties or auction thereof from a long period, which is a serious lapse on the part of management.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. The SDAC directed the management to auction the redundant properties at the earliest and record may be got verified from audit.

Audit recommends compliance of SDAC's directions.

***4.3.4.10 Non-recovery of enhanced cost of land from allottees of EPZ-II & III - Rs 48.985 million***

PSIC Board of Directors in its 97th meeting held on 12.10.2017, approved the implementation of the order of the Senior Civil Judge, Sialkot to make the payment of Rs 19.000 million to the five degree holders of SIE-III (EPZ) and further decided that the price of plot be increased @ 42,000 per kanal in SIE-II & III (EPZ), Sialkot as to meet out the deficit payment.

During audit of PSIC Regional Office Gujranwala for the year 2018-19, it was observed that management developed two Estates EPZ-II and III at Sambrial/Sialkot by purchasing land valuing to Rs 549.48 per marla. Later on, some land owners filed suit for enhancement of land price in the court of Senior Civil Judge Sialkot. The honorable Judge enhanced cost of land from Rs 549.46 per marla to Rs 1500 per marla on October 22, 1999. In response, PSIC filed an appeal in Lahore High Court, Lahore which was decided against PSIC. Therefore, PSIC deposited a partial amount of Rs 40.00 million with court on January 07, 2019 and balance amount of Rs 30 million is being arranged as last opportunity was given by the court. Therefore, PSIC Board decided to collect the enhanced cost of land of Rs 42,000 per kanal from each allottee. Total recoverable amount was Rs 70.916 million, out of which Rs 21.932 million was

recovered by leaving recoverable balance of Rs 48.984 million. The chances of outstanding amount seem to be remote as all allottees desired to declare the status of EPZ as Industrial Estate but at this stage it was not possible and PSIC might sustain loss to that extent.

Audit was of the view that management failed to recover the outstanding amount from allottees which indicated lack of commitment and lack of pursuance.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. SDAC directed to recover the total amount from allottees and recovery record may be got verified from audit.

Audit recommends compliance of SDAC's directions.

***4.3.4.11 Avoidable expenditure on account of office building rent due to delay in completion of PSIC House - Rs 46.198 million***

As per rule 2.33 of Punjab Financial Rules (PFR), every Government Servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will be personally held responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action of negligence.

During audit of PSIC HO, Lahore for the year 2018-19, it was observed that a contract was signed with M/s KBC & SEC construction company for Rs 427.310 million. As per work order dated September 16, 2016 the project was to be completed within 18 months from September 16, 2016 to March 17, 2018. However, the same could not be completed till May 2020. Resultantly, PSIC could not shift from their rental premises to PSIC House and bore rent expenditure of Rs 46.198 million as detailed below: -

Sr. No.	Name of Office	Monthly Rent Rs	Period (April 2018 to May 2020)	Total Rs
A	B	C	D	E = (C X D)
1	PSIC HO Lahore Alfalah, Building, Lahore	1,363,046	26 months	35,439,196
2	Lahore Regional Office, Davis Road, Lahore	148,810	26 months	3,869,060
3	PHS Davis Road, Lahore Davis Road, Lahore	264,990	26 months	6,889,740
<b>Total</b>		<b>1,776,846</b>		<b>46,197,996</b>

Management has highlighted this issue in the FIR logged against the contractor of PSIC House.

Audit was of the view that due to poor management of PSIC, lack of monitoring by consultant and slow pace of work by contractor, which resulted in avoidable expenditure of Rs 46.198 million.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. The SDAC directed to recover the loss from the concerned defaulter contractor and record may be got verified from audit.

Audit recommends compliance of SDAC's directions.

**4.3.4.12 Irregular allotment of plots of SIE-IV Gujranwala and SIE-Wazirabad to PSIC employees and their family members - Rs 28.471 million**

As per Governments Servants (Conduct) Rules, 1964 clause 14(2) no government servant shall make any investment likely to embarrass or influence him in the discharge of his duties.

During audit of PSIC Regional Office Gujranwala for the year 2018-19, it was observed that PSIC developed SIE-IV Gujranwala and SIE-Wazirabad on the demand of chamber of Commerce, Gujranwala and Pakistan cutlery manufactures and exporters association, Wazirabad in September, 2015. Balloting of both estates were held on November 30, 2016 and October 16, 2017 respectively. Further it was revealed that 11 No plots were allotted to the PSIC

employees or their family members instead of deserving parties in violation of above referred rules. The payments of these plots not only were outstanding but also lying vacant to till date. Therefore, allotment of these plots valuing Rs 28.471 million is held irregular.

Audit was of the view that management should have allotted these plots to the deserving persons /parties instead of employees but the same was not done.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. The SDAC directed that a Committee may be constituted at administrative level to enquire the matter and take action against the beneficiaries/employees of the PSIC and report may be shared with audit.

Audit recommends compliance of SDAC's directions.

***4.3.4.13 Loss due to non-recovery of late construction, sewerage and maintenance charges from allottees of EPZ-II & III - Rs 219.224 million***

As per PSIC SIE-Policy amended from time to time late/non-construction charges, maintenance charges and sewerage charges were to be recovered from allottees on prevailing rates by PSIC.

During audit of Punjab Small Industries Corporation (PSIC, Regional Office, Gujranwala) for the year 2018-19, it was observed that the management developed two Export Processing Zones (EPZ)-II & III in Sialkot at 237 acres in 1998. Total plots i.e. 879 have been allotted, and civil works in both zones have been completed. Only 88 parties i.e. 10% only could establish their units after passing the period of 22 years till June 2020. The management was required to recover the late construction, sewerage and maintenance charges from allottees of both EPZ, Zones but the management could not recover the same due to which PSIC sustained loss of Rs 219.224 million.

Audit was of the view that either these zones were developed without making feasibility study and proper planning or no sincere efforts were made to get the units constructed from allottees after completion of civil work.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. Management apprised the SDAC that Rs 24.665 million has been recovered and efforts are being made for the recovery of balance amount. SDAC directed to make recovery from allottee and got it verified from audit.

Audit recommends compliance of SDAC's directions.

**4.3.4.14 Non-provision of WAPDA Grid Station in PC-I of SIE-IV Gujranwala and SIE-Wazirabad – Rs 555.00 million**

As per rule 2.33 of Punjab Financial Rules (PFR), every Government Servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will be personally held responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action of negligence.

During audit of PSIC Regional Office Gujranwala for the year 2018-19, it was observed that the civil works at SIE-IV Gujranwala and SIE-Wazirabad have been completed but colonization could not be started due to non-availability of Grid Stations in both estates. Further it was revealed that there was no provision of Grid stations in both PC-Is approved by the competent authority. Thus due to this management have to bear the extra cost of Rs 555.000 million as detailed below:-

(Rs in millions)

Name of Estates	Estimated cost of land shared by the management	Estimated cost of Grid Station shared by the management	Total
SIE-IV Gujranwala	Land Available	350.00	350.000
SIE- Wazirabad	5.00	200.00	205.000
<b>Total</b>	<b>5.00</b>	<b>350.00</b>	<b>555.000</b>

It was also pointed out that SIE-Sundar Estate, Lahore was developed in 2010, however could not be colonized due to non-availability of grid station. So keeping in view to this bitter experience, the management was required to prepare comprehensive PC-Is of both estates but unfortunately same situation have to be

faced again by the management. Therefore, the expenditure to be incurred on account of purchase of land and WAPDA Grid station is considered un-justified and irregular as the management failed to include it before approval of the PC-I, which indicates inefficiency on the part of management.

Audit was of the view that management was required to consider all pros and cons while preparing PC-I of the respective estate so that it could be completed timely but the same was not done. This resulted into extra cost on said estate.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020, SDAC directed to revise the PC-I and get it approved from the competent authority besides recovery of additional cost from allottees.

Audit recommends compliance of SDAC's directions.

**4.3.4.15 Non-collection of technical audit fee from allottees - Rs 12.450 million**

In response of CM Punjab letter dated November 30, 2017, the PSIC BoD in its 97th meeting held on October 12, 2017 decided that the total cost of Rs 20.00 million be charged from all industrial units @ 10,000 per unit for technical audit of industrial units in SIES of PSIC.

During audit of PSIC for the year 2018-19, it was observed that management of Regional Office Gujranwala failed to collect technical audit fee @ Rs 10,000 per unit from allottees of all PSIC Estates as per decision of the Board. As a result of not-observing the CM's and BoD's directives by the local management PSIC was deprived from the recovery of Technical Audit fee Rs 12.450 million in RO Gujranwala only as worked out below:

Name of Estate	Total units functional	Per unit technical audit fee (Rs )	Total amount to be recovered (Rs)
SIE-I, (Gujranwala)	282	10,000	2,820,000
SIE-II (Gujranwala)	343	10,000	3,430,000
SIE-III (Gujranwala)	56	10,000	560,000
SIE-I, Daska V	68	10,000	680,000
SIE-II, ZEP, (Sialkot)	242	10,000	2,420,000

SIE-II & III, ZEP, (Sialkot)	12	10,000	120,000
SIE-Gujrat	242	10,000	2,420,000
<b>Total</b>			<b>12,450,000</b>

Audit was of the view that due to non-collection of technical audit fee from estates allottees undue favour was extended to the allottees.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020. The SDAC directed the management to expedite the recovery from concerned parties and got it verified from audit.

Audit recommends compliance of SDAC's directions.

**4.3.4.16 Wasteful expenditure due to unnecessary appointment of staff before completion of artisan projects – Rs 31.418 million**

As per Section 11 of PSIC Act 1973, the Corporation may, subject to such general or special orders, as Government may give to it from time to time, appoint such officers, advisers and employees, as it considers necessary for the efficient performance of its functions, on such terms and conditions as it may deem fit.

During audit of PSIC for the year 2018-19, it was observed that PC-I for construction of Gandhara Artisan Village (GAV), Taxila and Metal Crafts Artisans Village (MCAV), Kot Abdul Malik, Lahore were approved in 2017 and 2018 respectively. Both projects were to be completed in October 2017 and October 2018. As per PC-I artisan shops were to be constructed and rented out to the eligible artisans of the respective area to promote the relevant Art. However, the contractor completed these projects in Oct 2018 and in March 2019 respectively. However, the management unnecessarily appointed certain number of employees in each project before completion of both projects and incurred an amount of Rs 31.418 million on account of their pay and allowances, which was considered wasteful as detailed below:-

(Amount in Rs)

<b>Project Name</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20*</b>	<b>Total</b>
Gandhara Art Village, Taxila	2,919,816	5,257,788	4,163,317	4,163,317	16,504,238
Metal Craft Artisan Village, Lahore.	2,615,068	4,465,907	3,916,430	3,916,430	14,913,835
* 2018-19 figures were taken as 2019-20 due to non finalization of accounts for the year 2019-20.					<b>31,418,073</b>

Audit was of the view that necessary staff should have been hired before completion of Project but hiring of the human resources was made without any need and undue favor was awarded to the them, resultantly undue recurring financial burden was shifted to the Government exchequer.

The matter was reported to the Department/management on July 27, 2020. SDAC meeting was held on November 19, 2020, SDAC directed the management to probe the matter at administrative level for unnecessary appointment and report be shared with audit.

Audit recommends compliance of SDAC's directions.

## 4.4.1 Punjab Board of Investment & Trade (PBIT)

### Introduction

Punjab Board of Investment & Trade (PBIT) was set up on Feb 19, 2009 as a public company, Limited by guarantee with no share capital, under section-42 of the Companies Ordinance, 1984. The principal activity is to encourage and promote both foreign and local investments in the province of Punjab by identifying investment opportunities in Energy & Power, Mineral & Manufacturing, Banking and Finance. PBIT is to provide guidance and advice to the Government of the Punjab on matters relating to investment in the province.

### 4.4.2 Comments on Audited Accounts

4.4.2.1 Working results of the Board for the year 2019-20 (initialed accounts) as compared to the previous years are as follows:

(Rs in million)

	2019-20	% Inc/(Dec)	2018-19	% Inc/(Dec)	2017-18
<b>Revenue</b>					
Govt. Grant	118.434	15	102.858	(27)	140.133
Other Receipts	4.557	(10)	5.076	125	2.26
<b>Total</b>	<b>122.991</b>	<b>14</b>	<b>107.934</b>	<b>(24)</b>	<b>142.393</b>
<b>Expenses</b>					
Direct Expenses	41.895	9	38.355	(42)	66.542
Administrative Expenses	72.942	(12)	83.169	13	73.591
Other Expenses	3.598	39,878	0.009	(18)	0.011
<b>Total</b>	<b>118.435</b>	<b>(3)</b>	<b>121.533</b>	<b>(13)</b>	<b>140.144</b>
<b>Surplus/(Deficit)</b>	<b>4.556</b>		<b>(13.599)</b>	<b>(705)</b>	<b>2.249</b>

(Source: Initialed Accounts)

As per Note-18, management paid salaries and other benefits amounting to Rs 39.189 million under the head of direct expenses and as per Note-19, management paid salaries and other benefits amounting to Rs 44.546 million under the head of administrative expenses. This situation indicated that management hired staff but no operational activities as per objectives were carried out during the year which needs justification.

**4.4.2.2** In the year 2015-16, management earned income of Rs 2.084 million from the arranging of events but till 2019-20 management did not earn income which needs justification.

**4.4.2.3** Non-current liabilities were Rs 24.251 million in 2018-19 which rose to Rs 76.578 million in 2019-20. Reasons for abnormal increase alongwith nature of liabilities need to be explained.

**4.4.2.4** Financial charges was Rs 0.009 million in 2018-19 which rose abnormally to Rs 3.598 million in 2019-20. Reasons for abnormal increase alongwith nature of payment need to be explained.

**4.4.2.5** Management received grant Rs 150.00 million during the year 2019-20 but utilized Rs 114.810 million. The remaining amount was not returned to the Government of Punjab which need explanation.

### **4.4.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

## **Chapter-5**

### **Labour and Human Resource Department**

#### **5.1 Introduction**

Labour & Human Resource Department Punjab is established under the Punjab Government Rules of Business, 1974.

The mission is to “Promote the Welfare and Protecting the Rights of Labour Force and Workmen”. The main objective of Labour & Human Resource Department is essentially concerned with the promotion of healthy labour management and Industrial Relations for greater socio-economic progress and development, protects the rights of workmen & labour force, lays equal stress on their housing, health, safety and protection in order to make them more committed to their work, prevention of Child & Bonded Labour keeping in view the national and international standards and effective control over weights and measures.

The Government of the Punjab established the Punjab Employees Social Security Institution and Punjab Social Security Health Management Company governed by Bonded Labour System (Abolition) Act, 1992, Companies Profits (Workers Participation) Act, 1968, Disabled Persons, (Employment And Rehabilitation) Ordinance, 1981, Employees' Cost Of Living (Relief) Act, 1973, Employment (Record Of Services) Act, 1951, Essential Personnel (Registration) Ordinance, 1948, Factories Act, 1934, Industrial Statistics Act, 1942, Minimum Wages Ordinance, 1961, Payment Of Wages Act, 1936, Provincial Employees' Social Security Ordinance, 1965, Punjab Employees Special Allowance (Payment) Act, 1988, Punjab Fair Price Shops (Factories) Ordinance, 1971, Punjab Industrial Relations Act 2010, Punjab Maternity Benefit Ordinance, 1958, Punjab Prohibition Of Child Labour At Brick Kilns Act 2016, Punjab Restriction On Employment Of Children Act 2016, Road Transport Workers Ordinance, 1961, The Industrial And Commercial Employment (Standing Orders) Ordinance, 1968, The Provincial Employees' Social Security Ordinance, 1965, West Pakistan Industrial And Commercial Employment (Standing Orders)

Ordinance, 1968, West Pakistan Maternity Benefit Ordinance, 1958, West Pakistan Minimum Wages For Unskilled Workers Ordinance, 1969, West Pakistan Shops And Establishments Ordinance, 1969, Workers Children (Education) Ordinance, 1972, Workers Welfare Fund Ordinance, 1971, Workmen Compensation Act, 1923, The Punjab Domestic Workers Act 2019, The Punjab Occupational Health and Safety Act 2019.

**Formations:**

- Punjab Employees Social Security Institution
- Punjab Social Security Health Management Company.

Sr. No.	Description	Total Nos.	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	-	-	-	-
2	Authorities/Autonomous Bodies etc. under the PAO	2	1	9,105.87	14,471.01
3	Foreign Aided Projects (FAP)	-	-	-	-

**Classified Summary of Audit Observations**

Audit observations amounting to Rs 544.691 million were raised as a result of this audit. This amount also includes recoverable of Rs 178.300 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

Sr. No	Classification	Amount (Rs in million)
1.	Non-production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	6.962
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	41.182
5.	Other	496.547

## 5.1.1 Punjab Employees Social Security Institution (PESSI)

### Introduction

Punjab Employees Social Security Institution (PESSI) was established in 1965 under the Provincial Social Security Ordinance, 1965. It has 10 major hospitals, 5 mini hospitals, 37 injury treatment centers, 128 dispensaries and 84 medical posts in the province for the provision of health facilities to the employees of notified units. Objective of the institution is introduction of a scheme of social security for providing benefit to secured workers and their dependents in the event of sickness, maternity, employment injury or death.

### 5.1.2 Comments on Audited Accounts:

The management failed to provide annual audited accounts for the years 2012-13 to 2019-20 by December 31, 2020.

### 5.1.3 Compliance of PAC Directives

Sr. No.	Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance
1	1985-86 to 1998-99	4	4	-	100%
2	1999-00	1	-	1	0%
3	2000-01	9	5	4	56%
4	2001-02	1	-	1	0%
5	2006-07	13	13	-	100%
6	2009-10	7	1	6	14%
	<b>Total</b>	<b>35</b>	<b>23</b>	<b>12</b>	<b>66%</b>

#### **5.1.4 Audit Paras**

##### ***5.1.4.1 Non-finalization of annual accounts in violation of the PESSI Ordinance for the years 2012-13 to 2019-20***

According to Section 32 of the PESSI Ordinance 1965, the Institution shall, within six months after the closing of a financial year, submit to Government an annual report of its work and activities during that financial year, and such report shall cover such matters as may be prescribed. The annual report, together with the audited accounts of the Institution, shall be published and copies thereof shall be made available for sale to the public.

During audit of Punjab Employees Social Security Institution (PESSI) for the year 2019-20, it was revealed that the management failed to finalize its annual accounts for the years 2012-13 to 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

##### ***5.1.4.2 Favoring a party by hiring of dilapidated building and subsequent enhancement of rent - Rs 6.962 million***

Rule 4 of the Public Procurement Rules 2014 states that a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During the audit of Punjab Employees Social Security Institution (PESSI) Directorate Recovery, Sargodha for the year 2019-20, it was observed that the management of PESSI Directorate Sargodha took a building on rent @ Rs 125,000 per month with effect from October 16, 2016 for shifting the Sargodha Directorate through an internal committee and also a representative of HO. The condition of the building was very terrible since beginning as the wash rooms and

sewerage were in badly condition. The floor of the building were in broken condition and the ceiling of the most of the rooms were noticed leakage. Keeping poor condition of the building aside, the management decided to hire the building and rent of the building was enhanced yearly @ 10% per annum. The rent of Rs 6,961,500 has been paid since 2016 to 2020.

Audit was of the view that the management of Sargodha Directorate should not have hired building which was in such a bad condition. The action of the management for hiring poor condition building and subsequently enhancing rent by ignoring its deplorable condition was considered irregular.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on December 31, 2020, the Committee kept the para pending with the direction/recommendation that department should probe into the matter and fix the responsibility.

Audit recommends compliance of SDAC directives.

***5.1.4.3 Loss due to non-provision of medical care facilities to the workers of M/S K&Ns - Rs 41.182 million***

According to Section 46 (2) the institution may, with the approval of Government establish hospitals, dispensaries and other facilities as it finds necessary for providing medical pursuance of provision of this ordinance.

During the audit of Punjab Employees Social Security Institution (PESSI) for the year 2019-20, it was observed that arrears of contribution of M/s K&N arrived upto Rs 41.182 million. Further it was revealed that the summon was issued to M/s K&Ns on 15 Dec 2015, for arrears of Social Security Contribution for Rs 4.902 million for the period of October 2012 to November 2015. In response M/s K&Ns did not agree with the imposition of contribution and objected at the performance of Social Security Department as the Institution was not providing any medical facility to its 492 employees and their families due to long distance from PESSI dispensaries. He also submitted a proposal of availability of building @ monthly rent of Rs 15,000. w.e.f. May 01, 2016 for opening of social security dispensary in Attock and one in the cluster of poultry farms of M/s K&Ns. The matter was reminded to PESSI HQ time and again and

last time in January 2018, but the same was not done. The amount of Social Security contribution was increased to Rs 41.182 million.

Audit was of the view that due to non-shifting of medical dispensary in the cluster of farms PESSI sustained Contribution loss of Rs 41.182 million. In addition to that the employees were deprived from the medical facility.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, kept the para pending as matter is sub-judice with Social Security/Labour Court, Lahore.

Audit recommends compliance of SDAC directives.

**5.1.4.4 Non-recovery of arrear from defaulting employers as land revenue - Rs 13.543 million**

Section 23 of PESSI Ordinance describes the procedure for increase of unpaid contributions and recovery of contributions, etc., as arrears of land revenue. If any employer fails to pay, on the due date, the contributions payable by him shall be increased by such percentage or amount as may be prescribed. Without prejudice to any other remedy, the amount of the contributions due, together with the increase may be recovered as arrears of land-revenue.

During the audit of PESSI Directorate Office Gulberg, Lahore for the year 2019-20, it was observed that the management of the Directorate referred cases to District Collector Lahore during 2019-20 with the request that the arrears recoverable from the parties may be declared as an arrear of Land Revenue and allowing PESSI Directorate to proceed further in the matter under Land Revenue Act. Party wise detail of such employers is as under:-

Sr. No	Name of defaulting Establishment	Amount (Rs)	Period of Default
1	Canter 18 kms Ferozpur road	1,079,150	Feb 2011 to Sep 2018
2	Site for Trycon Corporation	1,137,980	April 2016 to Dec 2018
3	Golden Fort Restaurant	961,260	Feb 2012 to Dec 2018
4	Ittefaq brick & company	318,858	7/13 to 6/19
5	Shaukat Ali Brick	411,300	7/13 to 6/19
6	Lala Brick & Co	438,300	7/13 to 8/19
7	Al Madad Brick	436,950	7/13 to 8/19

8	National Security Company	2,415,930	7/93 to 6/94
9	Broom Services Private limited	2,597,400	8/12 to 12/14
10	Hanif Rajput & Co	1,286,100	4/13 to 8/15
11	Buraq Services (Tabaq Restaurant)	343,050	7/18 to 4/19
12	Origins 20k Gulberg	2,116,556	7/15 to 9/16
<b>Total</b>		<b>13,542,834</b>	

Audit was of the view that the management of PESSI should have pursued the District Collector for declaring the above cases as arrears of land revenue and allowing them to recover the amount from the defaulters under Land Revenue Authorities. Due to non-pursuance and non-taking up the matter at higher level, the chances for recovery from the above defaulters seems to be very remote.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, directed to conduct inquiry and responsibility be fixed.

Audit recommends compliance of SDAC directives.

**5.1.4.5 Non-recovery of Social Security Contribution due to dishonor of cheques - Rs 76.062 million**

According to 489-F of Pakistan Penal Code 1860, whoever dishonestly issues a cheque towards re-payment of a loan or fulfillment of an obligation which is dishonored on presentation shall be punishable with imprisonment which may extend to three years and with fine unless he can establish, for which the burden of proof shall rest on him, that he had made arrangements with his bank to ensure that the cheque would be honored and that the bank was at fault in not honoring the cheque. As per Section-55 of the Provincial Employees Social Security Ordinance, 1965, any amount recoverable by the institution under this chapter may be recovered as arrears of land revenue.

During scrutiny of record in PESSI for the audit year 2019-20, it was revealed that a large number of cheques received from different employers could not be cashed due to insufficient balance in respective bank accounts and were dishonored. This resulted into non-recovery of social security contribution Rs 76.062 million. Neither any action under Section 489 F of PPC nor Section-55 of the Provincial Employees Social Security Ordinance, 1965 was followed.

Audit was of the view that under Section 489 F of PPC criminal cases should have to be initiated against defaulters. Furthermore, recovery under land revenue act should also be affected from the employers concerned but no action was taken in violation of the above referred rules.

The matter was reported to the management on October 12, 2020. Management apprised the SDAC that an amount of Rs. 93.963 million had been recovered out of Rs. 106.820 million but only Rs. 30.758 million was verified by audit. SDAC in its meeting held on December 31, 2020 reduce the para upto Rs. 76.062 million and directed to take legal action against the defaulter as per law and recover the remaining amount within a week time.

Audit recommends compliance of SDAC directives.

**5.1.4.6 Unexplained differences/unadjusted debit and credit balances in the books of accounts - Rs 18.440 million**

The accounts of the organization should depict true and fair picture of the state of affairs of the organization.

During the audit of Punjab Employees Social Security Institution (PESSI) for the year 2019-20, it was observed that the books of Accounts of PESSI indicated un-reconciled differences under the different head of Accounts Receivables since last many years but no effort was made to reconcile these balances. The detail of such differences is as under.

Sr. #.	Particulars	Number of cases	Debit balances (Rs)	Credit balances (Rs)
1	advances to staff	46	314,267.29	507,309.74
2	advances to suppliers	22	11,796,723.39	935,773.00
3	Car/motorcycle advances	17	1,201,876.29	19,555.72
4	Sundry debtors	22	484,145.65	3,180,177.00
	<b>Total</b>	<b>107</b>	<b>13,797,012.62</b>	<b>4,642,815.46</b>

Audit was of the view that the management of PESSI should have been reconciled the accounting figures. The action of management for non-reconciliation of the figures in respect of above heads of accounts is considered irregular.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, disagreed with the explanation of the management and directed/recommended to recover/adjust the advances within 90-days besides fixing responsibility.

Audit recommends compliance of SDAC directives.

**5.1.4.7 Non-provision of health facilities to 464,808 secured workers due to non-issuance of R-5 cards by local offices**

As per Preamble of Employees' Social Security Ordinance 1965, it is expedient to introduce a scheme of Social Security for providing benefits to certain employees or their dependents in the event of sickness, maternity, employment, injury or death, and for matters ancillary thereto.

During the audit of PESSI for the year 2019-20, it was observed that employer having five or more employees is bound to pay social security contribution @ 6% of wages on monthly basis and in response Institution provides health facilities through network of social security dispensaries, mini hospitals, hospitals and other financial benefits. As per data provided by the management, the medical Cards R-5 were not issued to 464,808 secured workers as detailed below:-

Total Nos of Secured employees	Total Nos of R-5 Card Issued	Total Nos of employees to whom R-5 Cards not issued
1,018,747	553,939	464,808

The above details showed that management did not issue medical cards (R-5) to 464,808 workers who paid contribution and they were deprived health facility, which is not in compliance of PESSI Ordinance.

Audit was of the view that management should have issued R-5 card to all the workers for which contribution was collected.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, kept the para pending with the direction that department should expedite its efforts and make 100% compliance within 90 days.

Audit recommends compliance of SDAC directives.

**5.1.4.8 Non-recovery of contributions from newly registered employers from the date of establishment -Rs 6.768 million**

According to PESSI notifications for allotment of registration numbers, the parties are required to remit the legitimate payment of Social Security Contribution right either from date of start of business or from the date of Notification dated July 23, 2003 whichever is later in respect of all eligible employees @ 6% of wages as determined by government.

During the audit of PESSI for the year 2019-20, it was observed that the management of PESSI notified new establishments in Lahore during 2019-20 for receipt of contribution from employers. The contribution was required to be received from the date of establishment but in contrary to said instruction the contribution was demanded by management from the date of registration 2019-20. As per management record, the contribution of Rs 6.768 million is recoverable but actual contribution if calculated from date of establishment might have many times more. The detail of recoverable is as under:-

<b>Particulars</b>	<b>Shahdara</b>	<b>Gulburg</b>	<b>Model town</b>	<b>Lahore South</b>	<b>Total</b>
No of establishments registered	125	160	230	127	642
No. of workers	1,144	800	3,631	944	6,519
Contribution paid	169,744	409,500	2,134,165	301,919	3,015,328
<b>Contribution payable</b>	<b>985,706</b>	<b>3,927,000</b>	<b>1,165,005</b>	<b>690,381</b>	<b>6,768,092</b>

Audit was of the view that the management of local Offices should have charged the amount of contribution from the employers from the date of the establishment of their businesses instead of date of registration. The action of the management for non-pursuing respective employers for the payment of contribution for entire period since their establishment is considered irregular.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020 was not satisfied with the explanation of department. (what direction issued by SDAC)

Audit recommends that management may justify the matter before PAC.

**5.1.4.9 Non-recovery of arrear from defaulting employers as land revenue - Rs 54.264 million**

Section 23 of PESSI Ordinance describes the procedure for increase of unpaid contributions and recovery of contributions, etc., as arrears of land revenue. If any employer fails to pay, on the due date, the contributions payable by him shall be increased by such percentage or amount as may be prescribed. Without prejudice to any other remedy, the amount of the contributions due, together with the increase may be recovered as arrears of land-revenue.

During the audit of PESSI Directorate Office Rawalpindi for the year 2019-20, it was observed that the management through its legal team initiated the process to serve the notices to defaulting contractors as land revenue. The notices were served to 156 parties but only a partial amount of Rs 4.641 million was recovered from 25 parties out of total recoverable amount of Rs 69.571 million. Thus a huge amount of Rs 64.956 million stands outstanding as on June 30, 2020. The parties have not been approached properly, due to which the response of the defaulting employers was very poor.

Audit was of the view that had the powers of land revenue been exercised forcefully with the help of local law authorities, a sizable amount could have been recovered from defaulters. The action of the management for providing a soft corner to the defaulting parties and non-arresting even a single party out of 156 cases is considered unjustified and tantamount to favoritism to defaulters.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on December 31, 2020, the management apprised the committee that out of Rs 64.956 million Rs 10.692 million has been recovered. The SDAC reduced the para subject to verification of audit and pended the para.

Audit recommends compliance of SDAC directives.

**5.1.4.10 Loss due to non-recovering contributions from the parties from the dates of establishment of businesses - Rs 27.663 million**

According to PESSI notifications for allotment of registration numbers, the parties were required to remit the legitimate payment of Social Security

Contribution right from date of start of business in respect of all eligible employees @ 6% of wages as determined by government.

During the audit of PESSI Directorate Office Rawalpindi for the year 2019-20, it was observed that the management of PESSI notified new employers during 2019-20 for receipt of contribution from them for their employers. The contribution was required to be received from the date of establishment but in contrary to said instruction the contribution was demanded by management from the dates of registration. It was noticed that the management demanded contribution of Rs 27.663 million less from 20 parties.

Audit was of the view that the management of local Office should have charged the amount of contribution from the employers from the dates of the establishment of businesses instead of dates of registration. The action of the management for non-asking from employers for the payment of contribution for entire period since establishment of businesses is considered irregular.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, The Committee did not agree with explanation of the Department and kept the para pending.

Audit recommends that management may justify the matter before PAC.

***5.1.4.11 Loss due to less registration of Industrial Units of Sahiwal Industrial Estate – Rs 8.190 million***

According to PESSI Ordinance 1965, every employer having at least 5 or more workers is bound to pay social security contribution to PESSI in order to secure his/her workers for health facilities.

During the audit of Punjab Employees Social Security Institution (PESSI), Sahiwal for the year 2019-20, it was observed that Sahiwal (Recovery) Directorate was distributed in 5 major areas i.e. Sahiwal I, Sahiwal II, Chichawatni, Okara and Pakpatan. To check the veracity of registration of industrial units and performance of Social Security Officers, PSIC Sahiwal Industrial Estate data was compared with PESSI data. From the comparison of PSIC industrial Estate record and PESSI record, revealed that only 25% units could be registered by the PESSI. Due to non-registration of these units neither

the employees of these units availed health facilities nor PESSI could recover Rs 8.190 million annually as calculated below:-

Total Nos of Units	Units Not Registered	Minimum employees per units	Total employees of these units	6% of minimum wages per worker	Total monthly contribution	Annual contribution
1	2	3	4	5	6	7
			(2*3)	(17,500*6%)	(4*5)	(6*12)
174	130	05	650	1050	682,500	8,190,000

Moreover, as per record only 19 units are paying their contribution regularly and whereas remaining 25 units not paying their contribution since long as detailed below, which indicated that the performance of SSO and recovery of contribution is very poor. The PESSI at one end sustained loss and at other hand respective employees of these units deprived from the social security in shape of health facility and other security benefits.

Particulars	Units	%age
Nos of Units registered with PSIC	174	100%
Nos of unregistered units	130	75%
Nos of Units register with PESSI	44	25%
Nos of units actively paying their contribution	19	11%
Nos of Units Temporary closed	6	3%
Nos of defaulter units not paying their contribution from or prior to 07/2017 to date	8	5%
Nos of defaulter units after 07/2017	11	6%

Audit was of the view that the management of PESSI should have reconciled its data from PSIC but no such review was conducted which is considered irregular.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, did not agree with the management point of view and directed the management to inquire the matter within one month.

Audit recommends compliance of SDAC directives.

**5.1.4.12 Irregular appointments of Social Security Officer and non-finalization of fact finding report**

As per order of Supreme Court of Pakistan passed on in Human Rights case No.104 of 1992 on Dec 26, 1992. (circulated by the Cabinet Division), the Court observed that Federal Government, Provincial Governments, Statutory bodies and Public Authorities are making initial appointments both adhoc/regular without publicity and properly advertising the vacancies and at times by converting adhoc appointment into regular appointments. This practice is prima facie violation of Fundamental Rights (Article-18 of the constitution) guaranteeing to every citizen's freedom of profession. It was ordered that the violation of this Fundamentals / Human Right shall be discontinued forthwith. Steps shall immediately be taken to rectify the practice in accordance with the constitutional requirements.

During audit of PESSI for the year 2019-20, it was observed that in response of a complaint regarding irregular appointment of social security officers in 2007, commissioner PESSI constituted a committee to conduct fact finding enquiry to probe against recruitment of Social Security Officers and directed the committee to submit detailed & comprehensive report within 07 days positively. However, during initial scrutiny of the issue by the audit team, following serious violations have been observed:-

One member of the selection committee (Rep of S&GAD) Regulation wing has not signed the merit list.

One candidate obtained Total marks 59 (40 qualification + 19 interview marks) was selected, whereas 139 candidates, whose only qualification marks were between the range of 60 to 68 were ignored.

One candidate obtained Total marks 59 (40 qualification + 19 interview marks) was selected, however 146 candidates who obtained above 59 marks were rejected/not considered as detailed below:-

<b>Total Mark</b>	<b>Total Nos of candidates marks obtained</b>	<b>Candidates Selected</b>	<b>Candidates ignored</b>
76	05	03	02
75	04	0	04

74	10	09	01
73	08	03	05
72	09	01	08
71	06	02	04
70	18	02	16
69	05	0	05
68	10	0	10
67	09	01	08
66	22	01	21
65	09	01	08
64	30	0	30
63	13	0	13
62	03	0	03
61	02	01	01
60	07	0	07
59	01	01	0
<b>Total</b>	<b>171</b>	<b>25</b>	<b>146</b>

Last date of submission of documents was July 06, 2007, and as per note for Secretary dated July 31, 2007, 4967 applications were received up to July 20, 2007, and 305 applications were received after that date and 05 candidates were selected from them.

Moreover, as per note for Minister for labor it was decided that due to large No of applications received, a written test should be conducted and candidates who scored 45% marks will be called for interview. Out of them one candidate Irfan Nasrulla Roll No.1540 appeared in written test and scored 30% marks i.e. 30/100, shortlisted for interview and selected for the post.

Audit was of the view that the management of the PESSI should have enquired the serious irregularities in the appointments of the employees but no such enquiry to find out the issues discussed above was conducted even after passing of a considerable period.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, could not be satisfied by explanation of the management and directed the management to finalize the report at the earliest.

Audit recommends compliance of SDAC directives.

***5.1.4.13 Non-provision of medical facility to retired worker despite availability of sufficient fund of billions of rupees at banks***

According to Article 8 of the Constitution of Pakistan regarding fundamental rights states that the laws inconsistent with or in derogation of fundamental rights should be avoided. Any law, or any custom or usage having the force of law in so far as inconsistent with the rights conferred shall to the extent of such inconsistency be avoided. The State shall not make any law which takes away or abridges the rights so conferred and any law made in contravention of this clause shall, to the extent of such contravention should be avoided.

During the audit of PESSI for the year 2019-20, it was that the management of PESSI provides medical facility to the secured workers and his/her dependent as long as he/she remains in service. On asking it was explained that as per Ordinance of PESSI, the medical facility is provided to active workers for whom contribution is being received from the respective employers. As soon as the employee retires or leaves service, he/she loses all rights for medical treatment. Most of the employers pay contribution e.g. 25 to 35 years for their employees but after retirement, such employees are ineligible for medical treatment. As a matter of fact, in advanced age, the persons have more need of medical care and therefore, depriving them from basic necessity of health care when their employers had paid contribution for 20 to 30 years is the negation for provision of fundamental rights. The management contention that the PESSI Ordinance does not allow to provide medical facility was not convincing because laws which were inconsistency of fundamental rights are required to be amended immediately.

Audit was of the view that the PESSI had excess of income over expenditure upto Rs 5.115 billion in 2018-19 and accumulated profit rose to Rs 23.702 billion up to June 30, 2019 which indicated that PESSI has sufficient funds. The policy of PESSI management for non-considering this aspects even after lapsing more than 55 years. The policy of depriving workers from healthcare particularly when the funds are the property of workers by taking support of PESSI Ordinance is not only unjustified but also a conflict between Constitution of Pakistan and PESSI Ordinance.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, directed / recommended the PESSI management to formulate the policy for the betterment of Secured Workers of industrial units.

Audit recommends compliance of SDAC directives.

**5.1.4.14 Irregular execution of works by PESSI itself without referring to C&W Department -Rs 210.681 million**

As per PESSI Governing Body meeting held on 30.10.2017, the powers of Director (Dev.) PESSI regarding Technical sanction of the Development Project as per detail given below:-

<b>Nature of Technical Power</b>	<b>Extent</b>
In case of original work	Up to Rs 50.00 million for Highways and Buildings
In case of ordinary and special repairs (non-residential buildings & machinery and equipment).	Up to Rs 30.00 million in each case

During audit of PESSI Social Security Hospital, Multan Road, Lahore for the year 2019-20, it was observed that for special repair/upgradation of hospital wards of 1st, 2nd and 3rd floor, estimated cost of Rs 66.51 million was approved vide administrative approval dated May 13, 2019. By splitting the work three work orders valuing Rs 62.621 million were issued as detailed below:-

**(Rs in million)**

<b>Name of work</b>	<b>Work order issued on</b>	<b>Estimated cost</b>	<b>Actual Cost</b>
Up gradation of wards at 2 <sup>nd</sup> floor	29.11.19	29.49	30.729
Up gradation of wards at 1 <sup>st</sup> floor	22.10.19	22.21	19.118
Up gradation of wards at ground floor	22.10.19	14.81	12.774
<b>Total</b>		<b>66.51</b>	<b>62.621</b>

Similarly, in 2018-19 three work orders valuing Rs 143.28 million of the same hospital were also issued by splitting the work and Rs 4.78 million was further included in these work orders for additional work of false ceiling and LED and Work Orders amount was enhanced up to Rs 148.06 million as detail below:-

(Rs in million)

Name of work	Work order Cost	Additional work awarded	Total work order cost
60 Bed ward Part-1 at 3 <sup>rd</sup> floor	48.25	0.90	49.15
60 Bed ward Part-II at 3 <sup>rd</sup> floor	46.85	2.34	49.19
Up gradation of diagnostic block 1 <sup>st</sup> floor	48.18	1.54	49.72
<b>Total</b>	<b>143.28</b>	<b>4.78</b>	<b>148.06</b>

Audit was of the view that splitting of work orders were done intentionally so that the work order could be executed by PESSI itself to avoid the involvement of C&W Department, which was clear cut violation of Governing Body instructions and PPRA Rules.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, directed/recommended that expenditure incurred be got regularized from the Finance Department.

Audit recommends compliance of SDAC directives.

***5.1.4.15 Favoring M/s Gourmet Bakers & Sweet Lahore due to late decision by 10 years for recovery of dues -Rs 80.936 million***

According to PESSI Ordinance 1965, the appeals lodged by Employers under Section 57 of the said Ordinance against imposition of penalties for recovery of outstanding social security's dues worked out and charged by PESSI local office is be finalized by PESSI Head Office.

During the audit of Punjab Employees Social Security Institution (PESSI) for the year 2019-20, it was observed that the management of Directorate of PESSI Gulberg Lahore served a notice to M/s Gourmet Foods. Lahore in November 2009 for payment of Social Security of Rs 85.501 million including penalty. The party did not pay the contribution to PESSI and filed an appeal to the Commissioner PESSI under Section 57 on March 29, 2010. The case was badly delayed at one pretext or other for about ten years. However, Director General Head-quarter PESSI disposed of the case on July 16, 2019 with the direction to pay the contribution immediately. Directorate of PESSI Gulberg Lahore informed to PESSI Head Office on July 25, 2019 that the party deposited a small amount of Rs 4.565 million to the PESSI and remaining recoverable

amount of Rs 80.936 million is still recoverable. However, no effort to recover the amount from party was made as yet.

Audit was of the view that undue favor has been granted to the party. The management delayed the case for more than ten years and even after decision of the case, no serious step for recovery was initiated by management. The attitude of the management towards effecting recovery is considered irregular.

The matter was reported to the management on October 12, 2020. The SDAC in its meeting held on December 31, 2020, directed the management to recover the amount within 30-days.

Audit recommends compliance of SDAC directives.

## **Chapter-6**

### **Local Government & Community Development Department**

#### **6.1 Introduction**

The Local Government & Community Development (LG&CD) Department has been assigned the responsibility to implement Punjab Local Government Act (PLGA) 2019 to achieve the stated objectives of the Government. Moreover, the LG&CD Department has an over-seeing role to ensure that the local governments perform their functions within the provincial framework and adhere to the federal and provincial laws. The Local Government & Community Development (LG&CD) Department was created to respond to the specific needs of the mega cities and largely urban districts of Punjab for good governance.

LG&CD is working with a mission to assist and guide Local Governments in creating environment for autonomous and responsible decision making. This will improve service delivery in the social sectors and boost socio-economic development of the local area.

#### **Aims & Objectives**

The Local Government & Community Development (LG&CD) Department has been assigned the responsibility to implement Punjab Local Government Ordinance (PLGO) 2001 to achieve the stated objectives of the Devolution Plan. Moreover, the LG&CD Department has an over-seeing role to ensure that the local governments perform their functions within the provincial framework and observe to the federal and provincial laws.

LG&CD Department aims to assist and Guide local governments in creating an empowering environment for independent and trustworthy decision making to improve service delivery in the social sectors and boost socioeconomic development of the local areas.

## **Governing Laws**

- Punjab Local Government Act, 2019
- Panchayats and Neighborhoods Councils Act, 2019
- Punjab Panchayats and Neighborhoods Councils (Amendment) Ordinance 2019
- Punjab Local Government (Amendment) Ordinance 2019
- Panchayats and Neighborhoods Councils Act, 2019 (Gazette)
- Punjab Local Government Act, 2019 (Gazette)
- Punjab Local Government ACT 2013 (Amended upto 01.03.2018)
- The Punjab Local Government (Amendment) ACT 2017
- Amendments in the Punjab LCS (Service) Rules, 1997
- The Wall City of Lahore Act, 2012
- The Punjab Shehr-e-Khamoshan Authority Act, 2017
- Punjab Local Government Act, 2013 (Amended upto 17.07.2017)
- Punjab Local Government [Fifth Amendment] ACT 2016
- The Punjab Local Government Ordinance, 2001( XIII OF 2001 ) [Amended upto 10-11-2014]
- Punjab Local Government ACT, 2013 [Amended upto 20.04.2016]
- Bahawalpur Development Authority Act, 1991
- Cattle Trespass Act, 1871
- Dera Ghazi Khan Development Authority Act, 1991
- Graveyard Act 1958
- Hackney Carriage Act, 1879
- Miani Sahib Ordinance, 1962
- Punjab Prohibition of Expressing Matters On Walls Act, 1995
- The Punjab Local Option (Repeal) Ordinance, 1985
- The Punjab Prohibition of Kite Flying Ordinance 2001
- The Stage Carriage Act, 1861

## **Formations:-**

- Faisalabad Parking Company
- Lahore Parking Company
- Punjab Municipal Development Fund
- Punjab Rural Support Programme.

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	4	1	187.37	173.38
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

### Classified Summary of Audit Observations

Audit observations amounting to Rs 25.245 million were raised as a result of this audit. This amount also includes recoverable of Rs NIL as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

Sr. No	Classification	Amount (Rs in million)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	-
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	25.245

## **6.1.1 Lahore Parking Company Limited (LPCL)**

### **Introduction**

Lahore Parking Company Limited (LPCL) was registered on August 10, 2012 under section 32 of the companies' ordinance, 1984. The company was owned by City District Govt. Lahore (CDGL) established an incorporate Public Company Limited. The main objectives of the company is to manage, maintain, administer and promote modern parking concept in the city of Lahore. The registered office of the company is situated at 17thFloor, Arfa Software Technology Park, 346-B, Ferozepur Road, Lahore.

### **6.1.2 Comments on Audited Accounts**

The management failed to provide annual audited accounts for the years 2017-18 to 2019-20 by December 31, 2020.

### **6.1.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2018-19 were not convened.

### **6.1.4 Audit Paras**

#### ***6.1.4.1 Non-finalization of annual accounts/financial statements for the years 2017-18 to 2019-20***

According to Section 223 (1&2) of the Companies Act 2017, the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company. The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company. In the case of a listed company the Commission, and in any other case the registrar, may, for any special reasons, extend the period for a term not exceeding thirty days.

Further as per Rule 10 of Corporate Governance Rules 2013, every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of, that quarter, whether audited or otherwise, for the Board's

approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website. Public Sector Companies which are listed on the exchange shall prepare half-yearly accounts within such time period and undertake limited scope review by auditors as specified by the Commission from time to time.

During audit of LPCL for the year 2019-20, it was revealed that the management failed to finalize its annual accounts for the years 2017-18 to 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts and fix responsibility on persons at fault.

**6.1.4.2 *Loss due to issue of parking tickets without collecting the parking charges -Rs 25.245 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During audit of the accounts of Lahore Parking Company Limited (LPCL) Lahore for the year 2019-20, it was observed that the LPCL management arranged printing/ collection of total 46,316 car booklets containing 4,631,600 car parking tickets and 18,685 bikes booklets containing 1,868,500 bikes parking tickets for issue to company sites for collection of parking charges. The booklets/tickets contained 7,633 free car parking booklets (i.e. 763,300 free car parking tickets and 14,046 free bikes parking booklets containing 1,404,600 free Bikes parking tickets).

The management issued 33,816 free car parking booklets containing 3,381,600 free car parking tickets and 12285 free bike parking booklets containing 1,228,500 free bike parking tickets during the year. The above issued booklets including 4,933 free car parking booklets i.e. 493,300 free car parking tickets and 10,446 free bike parking booklets i.e. 1,044,600 free Bike parking tickets. The issue of free parking car tickets and free Bike parking tickets put the LPCL into loss of parking charges amounting to Rs 25.245 million (i-e Rs 14.799 million + Rs 10.446 million).

The issue of parking tickets free of parking charges was without any lawful authority and hence considered a loss to LPCL.

The matter was reported to the management on November 11, 2020. The SDAC in its meeting held on December 29, 2020, kept the para pending till production of agreement copy, recovery of installment and notification by the Cabinet preferably within 03 days.

Audit recommends to comply the directives of SDAC.

## 6.2.1 Punjab Municipal Development Fund Company (PMDFC)

### Introduction

Punjab Municipal Development Fund Company (PMDFC) is a limited guarantee Company having no share capital which was incorporated on October 8, 1998 under section 42 of the Companies Ordinance 1984 vide license No. CO 42/JR/3198 dated September 30, 1998 granted by the Securities and Exchange Commission of Pakistan. PMDFC is a non-profit organization jointly funded by the Government of Punjab and International Bank for Reconstruction and Development (IBRD). The principal objective of the company is to support the Local Government of Punjab in improving the quality of life of the inhabitants, to assist the Local Governments in building capacities for better fiscal and service delivery management, to provide matching grants to Local Governments for the construction, rehabilitation, and expansion of infrastructure, capacity building and for such purpose to act and/or provide consultants for evaluation of projects, monitoring of finances and advising Local Governments for their institution reforms including improving the fiscal efficiency, cost recovery, rationalization of spending, administrative reforms and future growth.

### 6.2.2 Comments on Audited Accounts

6.2.2.1 The working results of the company for the year 2019-20 as compared to the previous year are given hereunder:

(Rs in million)

	2019-20	%	2018-19	%	2017-18
		Inc/(Dec)			
Amortization of grants	103.273	252	29.355	60	73.919
Service Rendered	67.982	49	45.718	25	36.644
Other Income	10.775	64	6.566	57	4.185
<b>Total Income</b>	<b>182.03</b>	<b>123</b>	<b>81.639</b>	<b>(29)</b>	<b>114.748</b>
Salaries & Benefits	116.286	17	99.635	6	94.008
Consultancy & Training	10.925	1,620	0.635	(6)	0.674
Traveling & Conveyance	1.301	65	0.79	(60)	1.973
Rent, Rates & Taxes	5.565	(8)	6.063	0	6.068
Printing & Stationery	3.616	92	1.888	4	1.818
Vehicle running expenses	6.727	45	4.65	18	3.949

Repair & Maintenance	2.023	(3)	2.095	32	1.586
Utilities	3.235	44	2.249	11	2.019
Finance cost	6.404	303	1.588	-	0
Other Expenses	8.41	138	3.533	(21)	4.497
<b>Total Expenditure</b>	<b>164.492</b>	<b>34</b>	<b>123.126</b>	<b>6</b>	<b>116.592</b>
<b>Total Surplus (deficit) before taxation</b>	<b>17.539</b>	<b>142</b>	<b>(41.487)</b>	<b>(2,150)</b>	<b>(1.844)</b>

(Source: Initialed Accounts)

Abnormal increase in Consultancy & Trainings expenditures Rs 10.925 million noticed during the year 2019-20 which showed management hired the services of Consultants despite having professional staff which needs justification.

**6.2.2.2** Finance Cost was Rs 1.588 million in 2018-19 which rose three times to Rs 6.404 million in 2019-20. Reasons for abnormal increase alongwith nature of payment need to be explained.

**6.2.2.3** Non-current liabilities were Rs 50.00 million in 2018-19 which rose to Rs 181.417 million in 2019-20. Reasons for abnormal increase alongwith nature of liabilities need to be explained.

**6.2.2.4** Company is operating through grants and loans from the Government of Punjab, therefore, increase in salaries i.e. 17% during the year 2019-20 was unjustified because Government did not enhance the salaries of their employees during the year.

**6.2.2.5** The accounts have not been approved by BoD for the year 2019-20 so far. Reasons for delay need to be explained.

### **6.2.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2018-19 were not convened.

## Chapter-7

### Mines and Minerals Department

#### 7.1 Introduction

Prior to 2002, Mines & Minerals Department was functioning in the Directorate of Industries & Mineral Development Department since 1964. The independent Department of Mines & Minerals was created in 2002 by the implementation of National Mineral Policy. It is to mention that National Mineral Policy 1995 acts as a guideline for formulating the present policies of the Provincial Department of Mines & Minerals. Mines & Minerals Department is responsible for:

Legislation, policy formulation and planning for:

- Grant, surveys, prospecting, exploration and development of mineral resources.
- Collection of rents, royalties and fees from the concessionaires.
- Rehabilitation of affected mining areas/sites, implementation, monitoring and control of environment standards, infrastructure development in mining areas.
- Collect, store and dissemination of mineral data, digitization of mineral/mining data.
- Mines and minerals development.
- Welfare of mine workers
- Marketing of minerals
- Safety of mines, oil and gas fields and their workers
- Training and skill development.
- Labour laws and rules for mine workers
- Governmental functions of:–
- Punjab Mineral Development Corporation.
- Mines Labour Welfare Organization.
- Punjab Mineral Company.
- Budget, accounts and audit matters
- Purchase of stores and capital goods for the department.

- Service matters except those entrusted to Services and General Administration Department.

### **Governing Laws**

- Punjab Mining Concession Rules, 2002
- Coal Mines Pithead Bath Rules, 1946
- Coal Mines Regulations, 1926
- Consolidates Mines Rules, 1952
- Excise Duty on Minerals (Labour Welfare) Punjab Rules, 1971
- Metal liferous Mines Regulations, 1926
- Mines Creche Rules, 1946
- Mining Board Rules, 1951
- Punjab Coal Mines Rescue Rules, 1988
- The Punjab Miners Training Institutions Regulations, 1999
- The Punjab Mining Staff and Workers Training Regulations, 1999

### **Formations:**

- Punjab Mineral Development Corporation
- Punjab Mineral Company (Private) Limited

<b>Sr. No</b>	<b>Description</b>	<b>Total Nos</b>	<b>Audited</b>	<b>Expenditure audited FY 2019-20 (Rs in million)</b>	<b>Revenue/Receipt audited FY 2019-20 (Rs in million)</b>
1	Formations	2	-	-	-
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)				

### **Classified Summary of Audit Observations\***

Audit observations amounting to Rs NIL were raised as a result of this audit. This amount also includes recoverable of Rs NIL as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

<b>Sr. No</b>	<b>Classification</b>	<b>Amount (Rs in million)</b>
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	-
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	-
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	-

\* Audit was not conducted but audit comments of Punjab Mineral Company were included in the report.

## 7.1.1 Punjab Mineral Company (Private) Limited

### Introduction

The Punjab Mineral Company (Pvt.) Ltd was incorporated with the name of "The Punjab Coal Mining Company (Pvt.) Limited" on May 07, 2009 as a private limited company under the Companies Ordinance, 1984. During the financial year 2011, its name was changed to current name. The Company is engaged in the business of buying, selling, mining, production and refining of coal and all kinds of materials. The company has not yet started its operations. Registered office of the company was situated at 36-E Rehman Arcade, Court Street, Lower Mall, Lahore. Now the office of the company has been shifted to 10-B Model Town, Lahore.

### 7.1.2 Comments on Audited Accounts

7.1.2.1 The expenditure incurred and grants received by the Company during the year 2019-20 as compared to the previous years are tabulated below:-

	(Rs in millions)				
	2020	% Inc/ (Dec)	2019	% Inc/ (Dec)	2018
Government Grant	59.24	88.02	31.51	(84.03)	197.27
Other Income	34.84	(4.95)	36.66	(26.27)	49.72
<b>Total Income</b>	94.08	38.02	68.16	(72.40)	246.99
Salaries & allowances	53.60	9.99	48.73	12.60	43.28
Institutional Restructuring Mines Dept.	19.47	-	-	-	39.96
Other Gen. & Admn Expenses	19.68	1.30	19.43	(88.13)	163.73
<b>Total General &amp; Admn Expenses</b>	92.75	36.08	68.16	(72.40)	246.96
Finance Cost	1.33	22,050.00	0.01	(90.00)	0.06
<b>Total Expenses</b>	94.08	38.02	68.16	(72.40)	246.99
Profit/(loss)	-	-	-	-	-
<b>Projects/Exploration Assets</b>					
Kalabagh Iron ore Project	142.34	-	142.34	-	142.34
Iron Ore Project, Chiniot Rajoa	6,505.30	7.51	6,050.89	46.43	4,132.22
Feasibility Study iron ore mining	99.65	-	99.65	-	99.65

(Source: Annual Audited Accounts)

The company was established on May 07, 2009 but did not start its operations till June 2020 despite grants and loan given by Government of the Punjab. Reasons for not starting operations despite lapse more than eleven years may be explained.

**7.1.2.2** The external auditor of the company has shown their doubts about Company's ability to continue as a going concern. The current assets as compared to contractual liabilities (excluding Government loans and accrued markup) are insufficient to meet future contractual liabilities against planned project activities. Audit would suggest the management to make its operations viable or otherwise company may be liquidated and all assets may be transferred back to Mineral Department, Government of Punjab.

**7.1.2.3** Advances, deposits and prepayments included an amount of Rs 14.900 million as on 30.06.2020. This pertained to outstanding advance given to M/s DMT Consortium against bank guarantee. This bank guarantee expired on 31.12.2018 and has not been renewed. Although the management had stopped payment of Rs 11.900 million, of a Pakistani partner of this consortium i.e. M/s NESPAK in another project yet no movement in this account has been noted in last two years which indicated that management was unable to adjust the advance. Complete details of the project with justifications are needed on this matter alongwith prospects of recovery.

**7.1.2.4** Exploration and Evaluation Assets include Kalabagh Iron Ore Project valuing Rs 142.337 million. No movement in assets has been noted in last two years which showed that exploration work has been stopped for last two years Reason for stoppage alongwith future prospects of this assets may be explained.

**7.1.2.5** Exploration and Evaluation Assets included Iron Ore Project in Chiniot Rajoa. A marginal increase of 7.52% was noted as the value of assets increased from Rs 6.050 billion in June, 2019 to Rs 6.505 billion as on 30.06.2020. During the year an expenditure of Rs 454.400 million was incurred on this project mainly on account of consultant and contractors payments. This project had been lingering on since its first discovery in 1960s, initial feasibility studies in 1980s and a number of subsequent studies in 1990s and onward, on which huge public funds had been spent. Reasons for this slow pace of work may be explained

along with time lines for actual iron extraction and revenue generation from this project. A fact finding committee in this regard is suggested to bring out the facts.

**7.1.2.6** Management had incurred an expenditure of Rs 99.650 million on feasibility study and selection of concessionaire on iron ore mining and has shown this expenditure in Exploration Assets. The management had engaged M/s DMT Consortium to determine the economic viability to Chiniot Rajoa and Kalabagh projects as Transaction Advisor. M/s DMT was tasked to prepare a case for Mining, Processing and Steel Mills Complex at Chiniot alongwith the transaction structuring and selection of concessionaire in this regard. In order to complete the task, exploration results are needed which are in progress. No movement have been noted in last two years which shows that work has been stopped without any outcome. The reasons for incurring this expenditure before completion of exploration work may be explained alongwith timelines to complete the task.

**7.1.2.7** Deferred Credit showed a huge balance of Rs 5.050 billion as on June 2020. These are basically Government grants received by the company. During the year, the company received a grant of Rs 1.490 billion from Government. The grant was received as block allocation without any segregation between grant related to assets or operations. An amount of Rs 59.242 million was amortized i.e. used in operational expenditure. A comprehensive breakup showing the grants received and its utilization is needed alongwith funds used in investments. Audit was of the view that there should a be clear cut allocation while releasing the grant and the management should return back the extra/unused funds received from the Government instead of investing it in banks.

**7.1.2.8** Government of Punjab had given a loan of Rs 1.630 billion upto 2015 with 5 years repayment period and two years grace period. Management was unable to payback a single penny upto June 2020. An amount of Rs 63.592 million has been booked on account of markup payable including provision for penalty for non-payment of loan amounting to Rs 65.200 million. Timelines for starting repayment of loan may be negotiated with the Government of Punjab otherwise the liabilities would be pilling up, making the company's financial health doubtful.

**7.1.2.9** General & Admn Expenses included an expenditure of Rs 19.471 million relating to institutional restructuring of Mines & Mineral Department during the year 2019-20. No expenditure was booked in 2018-19. An expenditure of Rs 39.959 million was booked in same head in 2017-18. The reason for booking these expenses need to be explained as Mines & Mineral Department has its own budgetary allocation. Moreover, outcome and current status of these expense need to be explained.

**7.1.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-19 were not convened.

## **Chapter-8**

### **Planning and Development Department**

#### **8.1 Introduction**

The Planning and Development Board, Government of Punjab, is the principal planning organization at the provincial level. It coordinates and monitors development programs and activities of various departments of the provincial government. The department also prepares an overall Medium Term Development Framework (MTDF) of developmental activities in the province. The Medium Term Development Framework lays down the developmental activities to be carried out in the province in various sectors of the provincial economy. In this manner, the Planning & Development Board is one of the main actors in the growth of the economic potential of the province.

The mandate of the Planning and Development Board includes provision of technical support and coordination to various Government departments in their planning activities. The department is also the main government agency working with foreign donors in the province.

#### **Aims & Objectives**

The main objectives of the department are as follows:

- Assessment of the material and human resources of the province
- Formulation of long and short term plans
- Recommendations concerning prevailing economic conditions, economic policies or measures
- Examination of such economic problems as may be referred to it for advice
- Coordination of all economic activities in the provincial government

## Governing Laws

- Punjab Information Technology Board Ordinance 1999

## Formations:-

- Punjab Skill Development Fund
- Punjab Information Technology Board
- Engineering Consultancy Services of Punjab
- The Urban Unit

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	4	2	3,982.19	4,061.76
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

## Classified Summary of Audit Observations

Audit observations amounting to Rs 287.84 million were raised as a result of this audit. This amount also includes recoverable of Rs 45.144 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

Sr. No	Classification	Amount (Rs in million)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	90.342
b.	Procurement related irregularities	9.472
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	118.566
5.	Other	69.494

## **8.1.1 Engineering Consultancy Services Punjab (ECSP)**

### **Introduction**

Engineering Consultancy Services Punjab (Pvt.) Limited was incorporated under the Companies Ordinance 1984 on December 28, 2011. The Company is principally engaged in providing Consultancy Services for civil works electro mechanical, chemical, metallurgical engineering and architecture. The registered office of the Company is situated at Planning and Development Govt. of Punjab Civil secretariat Lahore.

### **8.1.2 Comments on Audited Accounts**

The management failed to provide annual audited account for the years 2013-14 to 2019-20 by December 31, 2020.

### **8.1.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-19 were not convened.

### **8.1.4 Audit Paras**

#### ***8.1.4.1 Non-finalization of annual accounts/financial statements for the years 2013-14 to 2019-20***

According to Section 223 (1&2) of the Companies Act 2017, the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company. The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company. In the case of a listed company the Commission, and in any other case the registrar, may, for any special reasons, extend the period for a term not exceeding thirty days.

Further as per Rule 10 of Corporate Governance Rules 2013, every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of, that quarter, whether audited or otherwise, for the Board's

approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website. Public Sector Companies which are listed on the exchange shall prepare half-yearly accounts within such time period and undertake limited scope review by auditors as specified by the Commission from time to time.

During audit of ECSP for the years 2018-20, it was revealed that the management failed to finalize its annual accounts for the years 2013-14 to 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

#### ***8.1.4.2 Irregular hiring of vehicles - Rs 9.472 million***

As per rule 12(2) of Punjab Procurement Rules 2014, all procurement opportunities over two million rupees shall be advertised on PPRA web site as well as in other print media or newspapers having wide circulation. The advertisement in newspapers having wide circulation in at least two National dailies one in English and other in Urdu.

During audit of Engineering Consultancy Services Punjab (ECSPP) HO for the years 2018-20, it was observed that management of ECSP hired the vehicles from various dealers for various projects without any advertisement/ competition. As per practice management collected rates from the market and awarded the vehicles service agreement without considering its financial implication. Huge payments of Rs 9.472 million (Rs 5.525 million + Rs 3.947 million) were made during 2018-20 on this account which was held non-transparent as required procedure was not followed as mentioned in PP rules. The car rental services were being utilized as and when required on project sites. The cost related to these vehicles rental is covered under the head direct cost which is being reimbursed by the client. This practice is considered irregular as the management failed to follow the required procedure as mentioned in the PP rules.

Audit was of the view that management was hiring the services of rent a car dealers on quotation basis and without any competition. Keeping in view the huge financial impact, the management should have obtained these services through tendering process to fetch most competitive rates but same were obtained in non-transparent manner which was held irregular.

The matter was reported to the management on December 23, 2020, during SDAC meeting held on January 13, 2021, the management explained that considering the urgency of works, location of the project sites and financial provisions in direct cost in agreements, principle of procurement and for smooth functioning of the assignments, site staff is asked to collect minimum three quotations from nearby available vendors. The SDAC directed the management to get the matter regularized from the competent forum.

Audit recommends compliance of SDAC directives.

**8.1.4.3 *Expected Loss due to Poor Performance in Consultancy Services to Client - Rs 44.45 Million***

As per clause 2.8 of agreement dated February 11, 2015 the client may be, by written notice of suspension to the consultants, suspend all payments to the consultants hereunder if the consultants fail to perform any of their obligations under this contract, including the carrying out of the services, provided that such notice of suspension (i) shall specify the nature of the failure , and (ii) shall request the consultants to remedy such failure within a period not exceeding thirty (30) days after receipt by the consultants of such notice of suspension. Clause 6.4(c) the client shall cause the payment of consultant's monthly statement within 28 days for amount in local currency.

During the audit of ECSP for the year 2018-20 it was observed that ECSP entered into agreement with Punjab Prison Department on February 11, 2015 for third party validation of Development Schemes of Punjab Prison Department (16 schemes) for a contract price of Rs 66.003 million on man month basis. The contract period was for 180 days from the date of commencement. The ECSP has claimed Rs 61.32 million through invoices and received Rs 16.87 million till date with a balance outstanding of Rs 44.45 million. Further record revealed that a meeting held on February 19, 2016 under chairmanship of Additional secretary,

home department the DIG (HQ), inspectorate of prison Punjab explained that the reports of TPV received in the Punjab Prison were incomplete, vague and not in annotative form. This report does not serve the purpose of TPV as per agreement. It is pertinent to mentioned that the ECSP should resolve the query of client within 30 days but till date only 04 schemes out of 16 has been rectified by management and remaining 12 are still pending. This act of ECSP causes delay in payment and expected to revenue loss amounting to Rs 44.451 million.

Audit was of the view that due to slackness and poor performance of ECSP management recovery has not been affected.

The matter was reported to the management on December 23, 2020, during SDAC meeting held on January 13, 2021, the management explained that ECSP is continuously making efforts for recovery of outstanding dues and payments are expected to be released by the client. The SDAC directed the management to recover the amount from the client.

Audit recommends compliance of SDAC directive.

#### ***8.1.4.4 Non-recovery from School Education Department - Rs 42.135 million***

As per clause 6.4 (b) of general conditions of contract/agreement between ECSP and School Education Department dated July 31, 2017, amount due to the consultants shall be paid by the client to the consultants within twenty-eight days after the consultant's invoice is delivered to the client.

During the audit of ECSP for the year 2018-20, it was observed that ECSP entered into consultancy contract/agreement in July 31, 2017 for third party validation (TPV) of Khadim e Punjab School Program (KPSP) Phase-1. ECSP fee was Rs 237.750 million which later on revised to Rs 176.053 million through amendment on April 15, 2019. The project was required to be completed in December 31, 2020. The management raised bills amounting to Rs 176.053 million but the client paid Rs 133.918 million leaving a balance of Rs 42.135 million (including Rs 25.017 million for invoices and Rs 18.118 million as retention money). Further record revealed that management of ECSP provided extra services (free of cost) to the client which was beyond the terms/scope of the contract i.e. to submit compliance report regarding rectification of shortcoming

by the contractor as pointed out by ECSP. Three months extension was granted by the client upto March 31,2020 for those extra services. Despite provision of that extra services management failed to recover its outstanding dues from the client. Moreover, the clause for compensation on delayed payment from client was deleted to give undue favor to client.

Audit was of the view that the Company has to lodge claim as per provision of contract and if client had not repaid the dues, management should have to take appropriate action regarding recovery after 28 days of last invoice. Hence due to slackness on the part of ECSP management recovery has not been affected after elapse of more than 10 months.

The matter was reported to the management on December 23, 2020, during SDAC meeting held on January 13, 2021, the management explained that ECSP is continuously making efforts for recovery of outstanding dues and payments are expected to be released by the client. The SDAC directed the management to recover the amount from the client.

Audit recommends compliance of SDAC directives.

**8.1.4.5 *Unjustified re-contracting with client and non-recovery of claims - Rs 15.385 million***

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources.

During audit of ECSP for the year 2018-20, it was observed that the management executed three (Resident Supervision) Services Agreements/contracts valuing Rs 126.001 million with Highway Department from September 2017 to August 2019.

Further record revealed that the management of ECSP had performed 13 Nos. of projects of the said client amounting to Rs 482.726 million during the period from 2012 to 2018 against which the client went in default of Rs 47.966 million. Despite having bitter experience (without receiving the previous

receivables from the client) 13 times before, management of ECSP again entered into three contracts with the same firm amounting to Rs 126.001 million. Contracts was completed in Feb, 2020, Apr, 2020 & Feb, 2019 respectively and client again gone in default of Rs 15.385 million. Thus award of three consecutive contracts after knowing client behavior considered unjustified resulting handsome amount of Rs 63.351 million (29.481+18.355+15.515) piled up unnecessarily.

Audit was of the view that award of contract to client was made only to extend undue favor to selected client. Further, non-recovery of huge outstanding amounts indicated poor financial control of the Company.

The matter was reported to the management on December 23, 2020, during SDAC meeting held on January 13, 2021, the management explained that ECSP is continuously making efforts for recovery of outstanding dues and payments are expected to be released by the client. In some cases, schemes were unfunded and client is perusing with concerned departments for allocation of funds to meet its liabilities towards consultant. The SDAC directed the management to recover the amount from the clients.

Audit recommends compliance of SDAC directive.

**8.1.4.6 Loss due to provision of services without signing agreement / contract with the client - Rs 3.193 million**

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of Engineering Consultancy Services Punjab (Pvt.) limited (ECSP) for the year 2018-20, it was observed that a sum of Rs 3.193 million was lying outstanding against Khadim-e-Punjab Bahria Model School and College Gwadar (a project of School Education Department) since

September 2016. Further record revealed that consultancy services were provided on the instructions of Chief Minister of Punjab conveyed through P&D Department. Hence no formal agreement/contract was executed with the client. Accordingly, a team consisting of three Senior Engineers / Specialist was constituted who visited the site at Gwadar and furnished his report as required. The management of ECSP had submitted 3 invoices amounting to Rs 3.193 million upto March 15, 2017 but no amount has been recovered till date.

Audit was of the view that in the absence of any legal contract / agreement the management of ECSP is not in a position to take any legal action against the client. Thus company may suffer a loss of Rs 3.193 million due to careless behavior of the management.

The matter was reported to the management on December 23, 2020, during SDAC meeting held on January 13, 2021, the management explained that ECSP is making continuous efforts to recover outstanding receivable of Rs 3.193 million through P&D department and payment is expected to be released by the client soon. The SDAC directed the management to recover the amount from the client.

Audit recommends compliance of SDAC directive.

***8.1.4.7 Unauthorized transfer of Vehicle (Toyota Fortuner) to Government of Punjab -Rs 5.772 million***

According to rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During audit of Engineering Consultancy Services of Punjab (ECSP) for the years 2018-20, it was observed that the management of ECSP handed over a vehicle bearing No. LEJ-1039 (TOYOTA FORTUNER 2700cc) Model 2014 to its administrative Department in May 2018. The Planning & Development

Department on May 31, 2018 further, handed over the vehicle to S&GAD Government of Punjab. The management of ECSP vide its letter dated September 12, 2018 requested the S&GAD for returning back the vehicle to ECSP but no response was given by Government of Punjab. The matter was also taken up with P&D Department by the management of ECSP but remained without any result.

Audit was of the view that the management of ECSP should not have been handed over the vehicle to ECSP without the approval of Board. Moreover, if the purchase of vehicle was not as per policy of the government, then this vehicle should have been disposed of instead of handing over to government which is considered irregular.

The matter was reported to the management on December 23, 2020, during SDAC meeting held on January 13, 2021, the management explained that In compliance to SUO Moto Notice taken by the Supreme Court of Pakistan and directions received from S&GA Department through P&D Board, the Company was directed to hand over the cited vehicle to the concerned Department. However, ECSP raised and submitted its concerns verbally as well as in writing for this unjust retrieval of company vehicle at relevant higher forums such as Provincial Cabinet as well. ECSP is still trying its best to get its vehicle back using all the proper channels. The SDAC directed the management to approach the S& GAD to get the vehicle back.

Audit recommends compliance of SDAC directive.

***8.1.4.8 Zero recovery from the client despite completion of the services - Rs 3.009 million***

As per contract/agreement Appendix B (B-2) “the time for completion of the services is six (06) months from the effective date of commencement of services or any other date as may be subsequently agreed by parties in writing” and Clause C-1 “the consultancy fee shall be paid to the consultant for the services to be completed within the period specified in Appendix B-2 “ The Payment schedule be as mentioned in clause C-3 .

During audit of the ECSP for the year 2018-20, it was observed that the management of ECSP signed agreement with Sports Board Punjab on February

02, 2018 to provide the consultancy services for “Resident supervision of supply and installation of flood lights at seven playfield sites in District Lahore”. The expiry date of agreement was August 01, 2018. The management of ECSP rendered consultancy services for the said project within scheduled time and raised its 3rd and last invoice amounting to Rs 1.490 million on October 29, 2018. The management failed to recover a single penny against consultancy service fee from clients despite completion of the work. A huge amount against the services provided was piled up which showed that no concrete efforts were made by the management to pursue the outstanding amount. A sum of Rs 3.009 million is still recoverable till to date despite passing of at least two years

Audit was of the view that due to lack of commitment and pursuance consultancy dues could not be recovered from client.

The matter was reported to the management on December 23, 2020, during SDAC meeting held on January 13, 2021, the management explained that ECSP is constantly following up our outstanding dues and in this regard various meetings with Client have been conducted and ECSP has approached higher authorities of Sports Board Punjab as well. Resultantly, the Client has decided to revise PC-I to clear pending liability of ECSP. The SDAC directed the management to recover the amount from the client.

Audit recommends compliance of SDAC directive.

#### ***8.1.4.9 Non-compliance of Public Sector Companies (Corporate Governance) Rules***

As per Rule-4(1) of the Public Sector Companies (Corporate Governance) Rules, 2013, every public sector company shall publish and circulate a statement along with its annual report to set out the status of its compliance with these rules, and shall also file with the Commission and the registrar concerned such statement along with its annual report.

During audit of the ECSP for the years 2018-20, it was observed that management failed to comply with the following provisions of the Public Sector Companies (Corporate Governance) Rules, 2013:-

<b>Sr. No.</b>	<b>Provision of Rule</b>	<b>Rule No.</b>
1	The independent directors met the criteria of independence as defined under the rules	2(d)
2	The Directors have confirmed that none of them is serving as director on more than five public sector companies and listed companies simultaneously, except their subsidiaries	3 (5)
3	The appointing authorities have applied the fit and proper criteria five in the annexure to the rules in making nominations of the persons for election as board members under the provision of the Act	3 (7)
4	The company has prepared a “code of conduct” to ensure that professional standard and corporate values are in place The board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures including posting the same on the company’s website	5 (4)
5	The board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interest, and the procedure for disclosing such interest.	5(5)(b)(ii)
6	The board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company	5(5)(b)(vi)
7	The board has developed a vision or mission statement, corporate strategy of the company	5(6)
8	The board shall meet at least once, each quarter of year, to ensure that it discharge its duties and obligations to shareholders and other shareholders efficiently and effectively. In case of non-compliance, the same will be reported to the commission with reasons of non-compliance, within 14 day of the end of the quarter in which meeting should be held.	6
9	The board has approved the profit and loss account for and balance sheet as at the end of the first second and third quarter of the year as well as the financial year end.	10
10	All the board member underwent an orientation course arranged by the company to apprise them of the material development and information as specified in the rules.	11
11	The director, CEO and executives, or their relatives are not directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company	18
12	A formal and transparent procedure for fixing the remuneration packages of the individual directors has been set in place and no director is involved in deciding his own remuneration. The annual report of the company contains criteria and details of remuneration of each director.	19

Audit was of the view that non-adherence to the rules & regulations are a serious lapse on the part of management which requires immediate corrective action.

The matter was reported to the management on December 23, 2020, during SDAC meeting held on January 13, 2021, the SDAC directed the management to comply the Corporate Governance Rules in letter and spirit.

Audit recommends compliance of SDAC directive.

## **8.2.1 Punjab Skills Development Fund (PSDF)**

### **Introduction**

Punjab Skills Development Fund (PSDF) was incorporated on October 11, 2010 under Companies Ordinance 1984. It is sponsored by the Government of Punjab and funded by the Department of International Development, UK. The registered office of the company is situated in Lahore. The company is a funding organization which acts as a financier of skills development / vocational training projects and intends to stimulate the market for skills development.

### **8.2.2 Comments on Audited Accounts**

The management failed to provide annual audited account for the year 2019-20 by December 31, 2020.

### **8.2.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

### **8.2.4 Audit Paras**

#### ***8.2.4.1 Non-finalization of annual accounts/financial statements for the year 2019-20***

According to Section 223 (1&2) of the Companies Act 2017, the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company. The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company. In the case of a listed company the Commission, and in any other case the registrar, may, for any special reasons, extend the period for a term not exceeding thirty days.

Further as per Rule 10 of Corporate Governance Rules 2013, every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on

the Public Sector Company's website. Public Sector Companies which are listed on the exchange shall prepare half-yearly accounts within such time period and undertake limited scope review by auditors as specified by the Commission from time to time.

During audit of PSDF for the year 2019-20, it was revealed that the management failed to finalize its annual accounts for the year 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

**8.2.4.2 *Ineffectiveness of internal audit and wasteful expenditure of salaries - Rs 10.342 million***

As per Rule 22(3) of the Public Sector Companies (Corporate Governance) Rules 2017, every public sector company shall ensure that internal audit reports are provided for the review of external auditors. The external auditors shall discuss any major findings in relation to the reports with the audit committee, which shall report matters of significance to the Board.

During audit of Punjab Skills Development Fund (PSDF) for the year 2019-20, it was observed that Internal Audit Department was not functioning properly and not fulfilling its mandatory function assign in the Corporate Governance Rules due to the following reasons:-

No periodic audit assignments covering all accounting units were being exercised in the company by internal audit department.

No audit activity has so far been performed by the company. Audit for the year April 2017 to March 2018 was outsourced by obtaining the services of M/s Deloitte.

Internal audit reports were demanded from April 2018 to June 2020 which were not provided by the management. When enquired it was intimated

that no internal audit report is prepared by the internal audit department. It was noted with grave concern that all payments were made without pre-audit of expenditure vouchers.

An amount of Rs 10.342 million was paid to Internal Audit Cell during 2019-20 which was considered unjustified.

Audit was of the view that internal audit is essentially a pre-emptive work to maintain operational efficiency and financial reliability, and to safeguard assets. Due to ineffective internal audit function of the company, expenditure of millions of rupees gone un-audited, and there are chances of serious irregularities and misuse of resources. Hence all the payment made on account of salaries to Internal Audit department was also considered as wasted, unfruitful and unjustified as their function was not in accordance with rules.

The matter was reported to the management on December 22, 2020. During SDAC meeting held on January 13, 2021, the management explained that the roles and responsibilities of ARC department of PSDF along with the organogram and brief of departmental strength. The SDCA advised to present cost benefit analysis of outsourcing functions and kept the Para Pending for Probe Committee.

Audit recommends compliance of SDAC directives.

#### **8.2.4.3 Irregular/ unauthorized enhancement in salaries - Rs 16.380 million**

As per Finance Department, Government of Punjab letter dated August 20, 2018 “the cases for posts’ creation & up gradation, increases in salaries & allowances, recruitment criteria or any other matter having financial implication may be sent to the Finance Department for advice by all the Autonomous Bodies who are in receipt of the Government Funding”. Moreover, as per provisions of Standard Appointment letter of the employees of PSDF, “Your performance will be assessed/evaluated on an annual basis by the Board keeping in view your efficiency and conduct. The performance shall be evaluated on the basis of outcomes and achievements of the projects assigned to you and may result in any bonus or increment”.

During audit of Punjab Skills Development Fund (PSDF), Lahore for the year 2019-20 it was observed that PSDF management engaged M/s Abacus Consulting to conduct compensation and benefits survey. The consultant mapped PSDF position with the corresponding positions in other organizations. The Consultant's report was presented to the Board of Directors (BoD) during the 29th meeting held on April 10, 2017. Board decided that all positions including C- level, HOD and below be aligned at 50th Percentile salary bands based on the new Grading Structure. Accordingly salaries of all grades were revised w.e.f 1st April, 2017 and net financial impact of Rs 8.611 million for the period April 01, 2017 to March 31, 2018 was occurred. Similarly, revision in salaries was also made during 2018 and 2019 with financial impact of Rs 6.455 million and Rs 1.314 million respectively.

Audit noted that the revisions in salaries of employees made in 2017, 2018 and 2019 were made without obtaining approval from the Finance Department, Government of Punjab. As PSDF is running with the funds of Government of Punjab, hence violation of government standing instructions was made by the management.

Audit was of the view that revisions made in salaries of employees during 2017, 2018 and 2019 without obtaining approval from Finance Department, Government of Punjab, financial impact of Rs 16.380 million in terms of revisions of salaries was held irregular.

The matter was reported to the management on December 22, 2020. During SDAC meeting held on January 13, 2021, the management explained that as per Skills Development Program's Project Document, PSDF board is authorized to take decision on PSDF staff and remuneration related matters. The SDAC deliberated the matter and decided to refer it to Finance Department for further clarification and kept the Para pending.

Audit recommends compliance of SDAC's directives.

**8.2.4.4 *Appointment of staff in violation of Supreme Court judgment and job descriptions – Rs 63.62 million***

Supreme Court of Pakistan in its judgment dated January 19, 1993 in Human Rights Case No. 104 of 1992 stated that recruitments, both ad hoc and regular, without publicly and properly advertising the vacancies, is violation of fundamental rights. As such no post could be filled in without proper advertisement, even on ad hoc or contract basis.

As per Job Description & Specification of PSDF the requisite qualification should be from the recognized university of HEC and relevant experience for the post.

During audit of PSDF for the years 2017-19, it was observed that the management selected the employees for various posts. During checking of their personal files, discrepancies were found during the selection process.

Audit was of the view that appointment of candidate without advertisement and having irrelevant qualification and experience is irregular and against Supreme Court judgment.

The matter was reported to the management on December 22, 2020. During SDAC meeting held on January 13, 2021, the management explained the hiring process, however, it was recommended to consult Finance Department for clarification. The SDAC kept the para pending subject to clarification of Finance Department, Government of the Punjab.

Audit recommends compliance of SDAC directives.

**8.2.4.5 *Unjustified/ wasteful outsourcing of key functions to third parties - Rs 74.115 million***

According to Finance Department, Government of the Punjab, letter No: FD.SO (Goods) 44-4/2016 dated: August 01, 2018, addressed to all autonomous bodies and corporations of Punjab, the provincial government has decided to observe utmost austerity in usage of public money through prudent financial discipline, judicious reduction in expenditure without compromising the essential and core organizational functions / activities. Expenditure shall be required to be

realigned with the organizational goals to make them target based and cost efficient. Wastage of resources and leakage of funds need to be curbed strictly.

During audit of Punjab Skills Development Fund (PSDF) for the year 2019-20, it was observed that management had outsourced various key functions to third parties despite the presence of concerned personnel's hired on market based salaries for the said functions. Detail of outsourced function is as under:

<b>Function</b>	<b>Name of Third Party</b>	<b>Period</b>	<b>Amount (Rs )</b>
Invoice processing	BDO Ebrahim & Co.	2017-20	6,633,900
Bid Evaluation	AF Ferguson & Co.	2016-20	66,455,742
Internal Audit	Deloitte Yusuf Adil	2017-18 and currently in the stage of hiring	1,025,000
<b>Total</b>			<b>74,114,642</b>

While going through the organization organogram it was revealed that concerned department with adequate staff strength is present in the organization. Previously, management performed above mentioned function by them and then hired third party for the same. When enquired from the management about the reasons of outsourcing, management failed to provide a cogent answer thereof.

Further, Company spends huge expenditures of Rs 445.154 million during the year 2016-17 to 2019-20 as Technical assistance under Skills Development Program to enhance capacity buildings of its staff.

In view of above, audit concluded that competent staff was hired by the management and paid them market based salaries i.e. Rs 91.800 million during 2019-20. Further, to enhance their capabilities company spend Rs 445.154 million from SDP technical assistance program during 2016-20. Despite these expenditures, outsourcing of key functions was unjustified.

Audit was of the view that management was required to perform the above mentioned functions by themselves instead of outsourcing. The outsourcing of key functions and payment of Rs 74.115 million to third party despite the presence of adequate staff is considered unjustified and wasteful in audit.

The matter was reported to the management on December 22, 2020. During SDAC meeting held on January 13, 2021, the management explained that

PSDF is managing the overall operations with human resource strength of approximately 90 employees. Job descriptions were made accordingly which excluded the human resource required for the outsource projects. If PSDF do not consider the outsourcing model then the whole organizational structure needs to be revisited again which will certainly increase number of human resource many times. Organogram of all department along with job description were also provided to Audit Team. The SDAC advised to present cost benefit analysis of outsourcing functions and kept the Para Pending for Probe Committee.

Audit recommends compliance of SDAC directives.

## **Chapter-9**

### **Primary and Secondary Healthcare Department**

#### **9.1 Introduction**

Primary and Secondary Healthcare Department (P&SHD) delivers quality healthcare services to the community through an efficient and effective service delivery system that is accessible, equitable, culturally acceptable, affordable and sustainable. P&SHD aims to improve the health and quality of life of all, particularly women and children, through access to essential health services

#### **Aims & Objectives**

The Primary and Secondary Healthcare Department strives to reform and strengthen the critical aspects of the health systems and enable it to:

- Provide and deliver a basic package of quality essential health care services
- Develop and manage competent and committed health care providers
- Generate reliable health information to manage and evaluate health services
- Adopt appropriate health technology to deliver quality services
- Finance the costs of providing basic health care to all
- Reform the health administration to make it accountable to the public

#### **Governing laws**

- The Punjab Health (emergency provision) Ordinance 1944.
- Drug Act 1976
- Injured Person Medical Aid Act 2004
- Punjab Vaccination Ordinance

**Formation:-**

- Punjab Health Facilities Management Company (PHFMC )

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	1	1	4,883.45	4,992.75
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

**Classified Summary of Audit Observations**

Audit observations amounting to Rs 70.687 million were raised as a result of this audit. This amount also includes recoverable of Rs NIL as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

Sr. No	Classification	Amount (Rs in million)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	8.203
b.	Procurement related irregularities	2.625
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	12.444
5.	Other	47.415

## 9.1.1 Punjab Health Facilities Management Company (PHFMC)

### Introduction

The Punjab Health Facilities Management Company (PHFMC) was established/incorporated as a on March 03, 2017 as a Company limited by Guarantee and having no share capital. The PHFMC Company is registered under Section 42 of the Companies Ordinance, 1984 (now Companies Act 2017). PHFMC is owned by the Health Department, Government of Punjab. The principal objective of Company is management of hospitals, health units, clinics and medical laboratories etc. to provide primary and secondary healthcare to people living across Province of Punjab. Geographical service are of the Company comprises of 1,309 health facilities in 14 district of Punjab.

### 9.1.2 Comments on Audited Accounts

9.1.2.1 The working results of the company for the year ended June 30, 2020 as compared to the previous years are as under:

(Rs in millions)

	2019-20	% Inc/(Dec)	2018-19	% Inc/(Dec)	2017-18
<b>INCOME</b>					
Management Fee	109.306	14.89	95.137	(12.43)	108.643
<b>Amortization of grant</b>					
Related to income	4,713.876	22.78	3,839.346	21	3,169.125
Related to Capital Expenditure	102.815	67	61.535	203	20.304
Other income	66.755	344	0.0516	--	--
<b>Total Income</b>	<b>4,992.752</b>	<b>24.94</b>	<b>3,996.070</b>	<b>21</b>	<b>3,298.073</b>
<b>Expenditure</b>					
Direct Expenses/Operating expenses	4,743.700	26	3,758.767	22.95	3,057.139
General & Admn. Expenses	139.746	(1.70)	142.166	7	132.290
<b>Total Expenditure</b>	<b>4,883.446</b>	<b>25</b>	<b>3,900.933</b>	<b>22</b>	<b>3,189.429</b>
Surplus for the year	109.306	14.89	95.137	12	108.643

Source: Annual Audited Accounts

As per Note-7 of financial statements for the year 2018-19 and 2019-20, advances and security deposits had increased from Rs 160.342 million as on June 30, 2019 to Rs 286.616 million as on June 30, 2020 registering an increase of 78.75% which needs to be justified.

**9.1.2.2** As per Note-7.2 & 7.4, an amount of Rs 11.576 million was outstanding/due in the year 2019 from Director General Health Services and huge amount of Rs 293.547 million was also outstanding against Executive Engineering building as advance for improvement of different health facilities scheme which needs to be justified.

**9.1.2.3** As per Note 9 of financial statements for the year 2019-20, advances, prepayments and other receivables increased from Rs 0.406 million as on June 30, 2019 to Rs 15.330 million as on June 30, 2020 registering an increase of 3,675.862% which needs justification.

**9.1.2.4** As per Note-10 management invested Rs 4,000 million during the year 2019-20 in short term investment at interest rate ranging from 7.5% to 12 %. Detail of competitive rates from other commercial banks be provided to audit for justification. Further management could not obtain the product day rate of interest as the company maintained its cash and bank in current account in Bank of Punjab which also needs justification.

**9.1.2.5** As per Note-13 of financial statement for the year 2018-19 and 2019-20, Trade and other payables increased from Rs 224.481 million as on June 30, 2019 to Rs 403.358 million as on June 30, 2020 registering an increase of 79.68% which represents that the company could not control over its liabilities and needs to be justified.

**9.1.2.6** As per Note-17 Direct expenses of the Company increased to Rs 4,743.700 million during the year 2019-20 as compared to Rs 3,758.767 million during 2018-19 registering an increase of 26%, which needs justification with full fact and figures. However, direct expenses were abnormal increased in the following heads of accounts the detail of which is as under:

(Rs in million)

<b>Direct Expenses</b>	<b>2019-20</b>	<b>% Inc</b>	<b>2018-19</b>
Salaries & benefits	3,118.018	35	2,304.572
<b>Conferences, meetings and Seminars</b>	12.389	1,337	0.862
<b>Fuel charges</b>	29.508	59	18.599
Repair & Maintenance of medical equipment	19.355	95	9.947
Office Repair & maintenance	110.829	255	31.218
<b>Vehicle running expenses</b>	14.105	104	6.917
Accommodation charges	14.00	100	-

**9.1.2.7** As per Note-17 under the head of direct expenses the management spent an amount of Rs 132.182 million on account of outsourced medical and other services in the year 2018-19 as compared to Rs 0.494 million in 2019-20, so the huge expenditure of Rs 132.182 million in 2018-19 needs to be justified.

**9.1.2.8** As per Note-17 under the head of direct expenses, vehicle running expenses increased to Rs 14.105 million in 2019-20 from Rs 6.917 million in 2018-19 registering an increase of 103.92% whereas management purchased only one vehicle valuing Rs 2.144 million in 2019-20. Such huge increase in expense to this respect needs justification.

**9.1.2.9** As per Note-17 under the head of direct expenses Management also incurred an amount of Rs 15.179 million as Security services in the year 2018-19 which needs to be justified.

**9.1.2.10** As per Note-18 an amount of Rs 23.788 million was incurred as consultancy fee in 2018-19 and Rs 21.618 million in 2019-20 under head General & Admn Expenses which needs to be explained with full facts and figures. Further Legal & Professional Charges was also abnormal increased from Rs 0.522 million in 2018-19 to Rs 3.043 million in 2019-20 registering an increase of 482.95% which needs to be explained.

**9.1.2.11** 9.1.2.11 As per Note-22 Remuneration of Key Management Personnel (Executive) increased from Rs 44.341 million in 2018-19 to Rs 56.059 million in 2019-20 registering an increase of 26%. Whereas total number of executives was 21 in 2018-19 and 23 was in 2019-20 which needs to be justified.

### **9.1.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

## **9.1.4 Audit Paras**

### ***9.1.4.1 Unlawful/ irregular continuation of contract of an officer beyond the age of superannuation – Rs 8.203 million***

According to S&GAD SOR 1-10-1/2003 dated Jun 16, 2003 “all cases of re-employment on contract after the age of superannuation must be examined by the Provincial Re-employment Board/ Provincial Re-employment Committee in accordance with the policy and recommendation of the Board/ Committee should be then submitted for orders of the Chief Minister”. Moreover no Department or Authority shall re-employ or move a summary to the Chief Minister for re-employment of a retired government servant without placing the case before the Provincial Re-employment Board/ Committee, as the case may be.

During audit of Punjab Health Facilities Management Company (PHFMC) for the year 2019-20, it was observed that Mr. Saleem Ahmad was appointed as Chief Financial Officer on contract basis for the period of three years on October 25, 2017 on a monthly salary of Rs 500,000. Further it was observed that the said officer attained the superannuation age on September 18, 2019. Instead of following the instructions of S&GAD and obtaining approval from the competent authority, management continued his contract till November 05, 2020 for a period of one year. On expiry of one year period, the contract was renewed for a further period of three years i.e. from November 06, 2020 to November 05, 2023 by ignoring the instructions of administrative department of government of Punjab.

Keeping in view of above facts, extension in contract appointment of the concerned officer made in violation of government standing instructions was held irregular and payment made to him on account of pay & allowances amounting to Rs 8.203 million (585,903\*14) from November 2019 to December 2020 was also held unlawful/irregular in audit. The unlawful act/ irregularity was occurred due to non-adherence of government standing instructions.

Audit was of the view that Government instructions on the subject matter were violated. Continuation of contract of the said officer should have been avoided as he attained the age of superannuation.

The matter was reported to the management on January 07, 2021. During SDAC meeting held on Feb 11, 2021, the management apprised the Committee that PHFMC has been established as a separate legal entity under Section 42 of the Companies Ordinance, 2017 as a Not-for-Profit Public Sector Company with Securities and Exchange Commission of Pakistan. Being a separate legal entity the Company has its Board of Directors constituted by the Government of the Punjab having all the powers conferred through section 183 of the Companies Act 2017. So, no violation of rules was found. The committee pended the para and directed the management to get clarification from S&GAD (Regulation Wing) for applicability of Rules in this case.

Audit recommends compliance of SDAC directives.

**9.1.4.2 Irregular execution of contract with M/s Riaz & Co. -Rs 2.625 million**

As per rule-12(1) of PP Rules, 2014, a procuring agency shall advertise procurement of more than one hundred thousand rupees and up to the limit of three million rupees on the website of the Authority, the procuring agency may also advertise the procurement in at least one national daily newspaper. Further, as per Rule 42 C (iv), repeat orders not exceeding fifteen per cent of the original procurement.

During audit of Punjab Health Facilities Management Company (PHFMC) for the year 2019-20, it was observed that management entered into contract with M/ Riaz & Co. regarding cloud rental service for parking its database for one year commencing from March 12, 2019 at a monthly rate of Rs 125,000. Further it was revealed that the contract was awarded to the said contractor without following the provision of PP rules. On expiry of the contract in Feb-2020 the contract was renewed for further one year @ Rs 125,000 per month by ignoring PP rules again. Hence, award of contract to M/s Riaz & Co in violation of PP rules and total amount paid to the firm from Mar-2019 to Dec-2020 amounting to Rs 2.625 million (21\*125,000) was held irregular in audit.

Audit was of the view that management was required to follow the prevailing rules and regulations for award of contract in true letter and spirit which was not done.

The matter was reported to the management on January 07, 2021. During SDAC meeting held on Feb 11, 2021, the management informed that alternative method of procurement of PPRA 59C(iii) of direct contracting was invoked after cost and benefit analysis. Audit pointed out that it was not a specialized task and competitive process must be followed. The committee recommended to seek clarification from PPRA regarding invoking PPRA 59C(iii) or otherwise. Hence, the para was kept pending for clarification from PPRA.

Audit recommends compliance of SDAC directives.

**9.1.4.3 Loss due to non-functioning of 06 mobile health units – Rs 12.444 million**

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of Punjab Health Facilities Management Company (PHFMC) for the year 2019-20 it was observed that a service contract, "operational & management services of Mobile Health Units (14 MHUs)" was made on 24th April, 2018 between Secretary to Govt. of Punjab, P&SHD and M/s Medi Urge (Pvt.) Ltd and CEO of PHFMC for provision of services including 14 MHUs for easy accessibility of health service. The PHFMC also paid one month advance of Rs 26.714 million to M/s Medi Urge to make all these 14 MHUs. However, only 08 MHU were functional and remaining 06 MHUs are non-functional since long which caused loss to Govt. of Punjab amounting to Rs 12.444 million.

Audit was of the view that due to negligence on the part of management and lack of proper follow up regarding operationalization of MHUs causing undue favor to supplier and caused loss to Govt. exchequer Rs 12.444 million.

The matter was reported to the management on January 07, 2021. During SDAC meeting held on Feb 11, 2021, the management informed that the payment amounting to Rs. 77.680 Million was made to M/s Medi Urge against the gross billing amount of Rs. 144.840 Million for only functional MHUs and deducted penalties amounting to Rs. 67.160 million against the said bills. PHFMC never paid to M/s Medi Urge against non-functional MHUs. The audit team reiterated to take the Performance Guarantee upto the value of contract rather than monthly deliverable payment. The committee directed the formation to send show-cause notice to vendor for non-performance of contract and forfeit the Performance Guarantee beside black listing and pended the para. Hence, the para was kept pending by committee for compliance.

Audit recommends compliance of SDAC directives.

**9.1.4.4 Non-deduction of maintenance charges on account of govt. accommodation – Rs 47.415 million**

As per rule 5% maintenance charges will be deducted from the Govt. servant who has been allotted any Govt. accommodation.

During the audit of Punjab Health Facilities Management Company (PHFMC) for the year 2019-20, it was observed that management allotted 3,161 Govt. accommodations to the staff but failed to deduct the maintenance charges @ 5% from their monthly salaries and deposited in Govt. treasury. Detail of accommodation occupied by personnel and 5% maintenance charges are as under:

Average salary of each staff	25,000
5% deduction monthly	1,250
Annual deduction	15,000
3,161 hired accommodations deduction	47,415,000

Audit was of the view that management was required to deduct 5% maintenance charges from the staff under the existing rules and submit the deducted amount in Govt. treasury. Due to negligence on the part of management

5% maintenance charges amounting to Rs 47.415 million was not deducted and Govt. exchequer was put to loss to that extent.

The matter was reported to the management on January 07, 2021. During SDAC meeting held on Feb 11, 2021, the management informed that accommodation available on health facility compound was in deteriorating condition and few employees majorly skilled birth attendant are residing in compound accommodation due to their nature of job. 5% maintenance charges were deductible in case govt. accommodation was not mentioned in employee's contract and they are paid lump sum salary package. The audit team reiterated to probe into the matter. The committee directed the formation to provide report of salary comparison between regular staff and contractual staff and if salaries are according to other civil employees then recover the House Rent as well as 5%. Hence, the para was kept pending by committee for compliance.

Audit recommends compliance of SDAC directives.

## Chapter-10

### School Education Department

#### 10.1 Introduction

The school education department of Govt. of the Punjab is responsible for provision of basic education related facilities, planning and monitoring of basic education and staff development related activities of the province.

#### Aims & Objectives

The main functions performed by the School Education Department are:

- Legislation, Policy Formulation and Planning in the areas of Primary education, Elementary education, Secondary and Higher Secondary education
- Maintaining Standards of Education by Formulating the curricula and syllabi up to class XII and Production and publication of text books for class I to XII
- Monitoring and Evaluation System which includes Distribution of free textbooks, Development schemes, Presence of teaching and non-teaching staff, Updation of online-access information and Redressal of public complaints.
- Promotion of Quality Education by means of Punjab education assessment system, Student assessment and terminal examination of Grade-V and VIII elementary education through Punjab Examination Commission, Grant of scholarships and Production and distribution of educational and scientific films
- Staff Development by way of Pre-service and in-service teachers training and Continuous Professional Development (CPD)

In addition to above the following other functions were also performed by the department:

- Regulatory policy concerning private sector schools
- Children libraries and libraries affiliated with Children Library Complex
- Promotion of sports in schools
- Provision of compulsory and free education to all of age 5-16 years

- The matters relating to the Punjab Danish Schools and Centers of Excellence
- To promote quality education through public-private partnership through Punjab Education Foundation
- The matters relating the Punjab Teachers' Foundation
- Budget, accounts and audit matters
- Purchase of stores and capital goods for the department
- Service matters except those entrusted to Services and General Administration Department

### **Governing Laws**

Administration of the following laws and the rules framed there-under was also the responsibility of School education Departments:

- Charitable Endowments Act 1890 (VI of 1890)
- The Punjab Departmental Inquiries (Powers) Act, 1958
- The Punjab Government Educational and Training Institutions Ordinance 1960
- The Punjab Textbook Board Ordinance, 1962
- The West Pakistan Publication of Textbooks (Regulations and Control) Ordinance, 1970.
- The Punjab Local Councils High Schools (Taking Over) Ordinance 1970
- The Privately Managed Schools and Colleges (Taking Over) Regulation 1972
- Punjab Private Educational Institutions (Promotions & Regulations) Ordinance 1984
- Punjab Compulsory Primary Education Act 1994
- Punjab Education Foundation Act 2004.
- Punjab Danish Schools & Centre of Excellence Authority Act 2010
- The Punjab Examination Commission Act 2010 (XI of 2010).
- The Punjab Curriculum and Textbook Board Act 2015 (VI of 2015)]
- Matters incidental and ancillary to the above subjects

Presently a lot of educational institutes and District Education Authorities are under the administrative control of School Education Department. However the following entities are under the audit jurisdiction of Directorate of Commercial audit Lahore.

**Formations:**

- Punjab Education Foundation
- Punjab Teacher Foundation
- Punjab Education Initiatives Management Authority
- Punjab Curriculum Text Book Board

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	4	1	3,906.51	3,993.07
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

**Classified Summary of Audit Observations**

Audit observations amounting to Rs 679.264 million were raised as a result of this audit. This amount also includes recoverable of Rs NIL as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

Sr. No	Classification	Amount (Rs in million)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	-
c.	Management of Accounts with Commercial Banks	10.285
4.	Value for money and service delivery issues	255.918
5.	Other	413.061

## **10.1.1 Punjab Education Initiatives Management Authority**

### **Introduction**

The Government of the Punjab has established Punjab Education Initiatives Management Authority (PEIMA) under Punjab Education Initiatives Management Authority (PEIMA) Act 2018. This Authority has been established to devise, implement and manage reformatory & dynamic initiatives in education sector in partnership with the private sector.

The principal objective of the Company is to ensure Quality in Public Schools of Punjab by introducing reformatory initiatives, capacity building, efficient utilization of existing public-sector facilities and by entering into public private partnerships in order to improve service quality in education sector". The Principal office of the Authority is situated 50-Babar Block Tipu Street New Garden Town Lahore.

### **10.1.2 Comments on Audited Accounts**

The management failed to provide annual audited accounts for the year 2019-20 by December 31, 2020.

### **10.1.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

### **10.1.4 Audit Paras**

#### ***10.1.4.1 Non-finalization of annual account for the year 2019-20***

As per Section 16 of the Act, the Authority shall within three months of the close of a financial year submit an annual report to the Government which shall include:

A comprehensive statement of the work and activities of the Authority during the preceding financial year;

A statement of accounts and audit report;

The plans and goals for the future and

Such other matters as may be prescribed or as the Authority may consider appropriate.

During audit of Punjab Education Initiatives Management Authority (PEIMA), it was revealed that the management failed to finalize its annual accounts for the year 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

#### ***10.1.4.2 Irregular deduction of tax at source on bank profit -Rs 10.285 million***

Income Tax Ordinance, 2001 makes it obligatory to collect and deduct tax at source, however, under Section 49 of this Ordinance, Federal Government, Provincial Government and local governments/bodies are exempted from payment or deduction of withholding tax. For this purpose, advance income tax exemption certificate is to be applied and obtained from the Federal Board of Revenue.

During the audit of Punjab Education Initiatives Management Authority (PEIMA) for the year 2018-19, it was observed that the management of PEIMA opened an account in Bank of Punjab in February 2018 for making its official receipts and payments. The bank withheld tax of Rs 10.285 million (Rs 1.204 million + Rs 9.080 million) while crediting profit to the account of the PEIMA during the period from February 2018 to June 2019. The management did not apply and obtain tax exemption certificate from FBR being a Govt. owned entity engaged in educational activities, therefore, bank withheld advance tax from the amount of profits on deposits.

Audit was of the view that the action of the management is negligence and caused loss to entity due to unnecessary withholding of tax. It is pertinent to mention here that its other sister concern Punjab Education Foundation (PEF)

doing a similar operation always obtains tax exemption certificate from FBR and therefore, bank does not withhold tax on PEF deposits.

The matter was reported to the management on July 21, 2020, the management in its reply dated September 24, 2020 stated that matter has been taken up with FBR and Bank for recovery/refund of tax. Management should make serious efforts for early recovery of tax. DAC in its meeting held on October 19, 2020 directed the management to obtain Tax Exemption and proceed for request for refund of withholding tax deducted by bank from FBR.

Audit recommends compliance of DAC's directions.

**10.1.4.3 Wasteful expenditure due to non-completion of assignments by the consultants - Rs 5.978 million**

As per annexure H (ToRs) of the agreement signed between PEIMA and M/s KPMG Taseer Hadi & Co (Third Party) on November 27, 2017, the scope of work include the physical inspection /census of PSSP Schools in 36 districts. Validation / inspection of area and building of the schools and developing a software for mapping / Geo-Tagging of all PSSP schools etc. the assignment was required to be completed within four months. The authority ratified the assignment in its first meeting held on November 25, 2017 at a total cost of Rs 8.800 million. Further, as per annexure-F of said agreement, 20% amount of contract price was released to the party on submission of inception report and submission and approval of census form & android based software application within 20 days of signing of agreement.

During the audit of Punjab Education Initiative Management Authority (PEIMA) for the year 2018-19, it was observed that management of authority hired different consultants for curtain work as detailed hereunder:

Sr. No.	Party	Vr # & Date	Amount paid	Assigned Tasks
1	M/s KPMG Taseer Hadi & Company	BPV-04-07 dt.15.04.2018	1,760,000	Physical inspection /census of PSSP Schools in 36 districts. Validation / inspection of area and building, developing a software for mapping / Geo-Tagging etc.

2	M/s EY Ford Rohds	BPV-03-07 dt.28.03.2018, BPV-05-19 dt.10.05.2018	2,980,000	The scope of work include the audit of funds transferred to PEF for PSSP and verification of assets to be transferred to PSSP, transfer of assets to PSSP and development of SOPs for PSSP program
3	M/s Ferguson & Co.	BPV-03-08 dt.28.03.2018	1,237,500	For quality assessment of PSSP Schools which includes conditions of schools, capability of students, proficiency of teachers, handling & teaching methodology, assessment of PSSP licensees, physical inspection of schools etc.
<b>Total</b>			<b>5,977,500</b>	

Further it was revealed that despite spending an amount of Rs 5.977 million to above mentioned consultants the task remained in completed. The consultants neither completed the assigned tasks after laps of more than two years nor refunded the amount paid to them. The management also failed to pursue the matter for early completion. The assigned task is still incomplete which showed gross negligence of PEIMA management. The management neither forfeited the performance guarantee of the consultant nor initiated risk and cost action against the consultant.

The matter was reported to the management on July 21, 2020, the management in its reply dated September 24, 2020 stated that matter is under review to seek BoD approval for completion of assignment. Management reply was not acceptable and unjustified as prolong delay in completion of assignment may be justified.

DAC in its meeting held on October 19, 2020 directed the management to get the work completed within two months. DAC further directed to dig out and justify the reasons for improper follow up by the Authority.

Audit recommends compliance of DAC's directions.

**10.1.4.4 Irregular payment to licensees without inspection for more than a year - Rs 95.658 million**

As per approved SOP for the payments to licensees, the payment is calculated on the basis of lowest of the enrolment / attendance from amongst the following data:-

- i. Upper cap limit revised from time to time.
- ii. PMIU monthly monitoring reports.
- iii. Monthly update by the licensee
- iv. Students Information System (SIS)

During the audit of Punjab Education Initiatives Management Authority (PEIMA) for the year 2018-19, it was observed that PEIMA was making payment to the licensees on the basis of PMIU monthly monitoring reports. Review of the data of the schools indicated that inspection of 79 schools pertaining to the Rajanpur, was not made by the PMIU for the period ranging from 10 months to 16 months but payment was released to the licensees without any authentic basis. The payment of Rs 95.658 million was made to the licensees of these schools without inspection of PMIU whereas inspection was required to be conducted on monthly basis.

Audit was of the view that the management should have coordinated closely for timely inspection of the schools. The payments to licensees without inspection of PMIU was considered irregular.

The matter was reported to the management on July 21, 2020, the management in its reply dated September 24, 2020 stated that inspection was responsibility of PMIU as per agreement of PEIMA and SED. Further, PEIMA has no field staff for field activity. Management should take step to ensure 100% inspection before payment.

DAC in its meeting held on October 19, 2020 directed the management to develop fool proof monitoring mechanism for disbursement to schools and for verification of students by PEIMA itself. Cases mentioned in the Para may also be referred to PMIU for investigation.

Audit recommends compliance of DAC's directions

***10.1.4.5 Irregular payment to licensees despite failure in QAT in violation of rules - Rs 128.807 million***

According to clause 18 of the agreements signed between PEIMA (former PEF) and Licensee, Licensor shall conduct teachers Quality Assurance Test (QAT) of the students in all allotted schools as per PEF policy to ensure quality and standard of education, performance of students and their learning outcomes. Licensee shall be responsible to maintain the minimum quality standard as per the criteria set by the SED/PEF. Schools failure in one QAT shall lead to imposition of penalty as per SOPs. In case of two consecutive failures in QATs, Licensee shall reserve the right to immediately terminate this agreement and may offer schools to other party on terms and conditions as per policy of PEF.

During the audit of PEIMA for the year 2017-18 and 2018-19, it was observed that management of PEIMA is operating 4,276 schools. The quality assurance tests of the students was taken by management of PEF in 2017 and 425 number of schools have declared failed with reference to performance of students in QAT. In 2018, the QAT was again conducted and 808 number of schools were declared failed by PEF. Out of 808 schools, 166 number of schools were found which were also failed in 2017. As matter of principle, the contract with the licensees should have been cancelled but instead of cancelling the license agreement of such licensees, the management took a decision from the Program Committee of the Board for non-considering the results of January 2017 and on the basis of this decision, the agreement with these 166 schools were not cancelled. The QAT in 2019 was not conducted and payments to these 166 schools are being made till now without ensuring the performance of the students of these schools.

It was further observed that some school having sufficient enrolment (more than 200) at the time of handing over to PEF/PEIMA due to their poor results under taken by Punjab examination commission (PEC) was also included and their performance was also remained questionable even in PEF/PEIMA.

Audit was of the view that the management of PEIMA should have cancelled the agreement with these licenses and reallocated through advertisement to other deserving persons/parties. The payment made to these 166

schools after consecutive second failure in QAT was of Rs 128,806,533 i.e. with effect from August 2018 to June 2019 was considered irregular and unjustified.

The matter was reported to the management on July 21, 2020, the management in its reply dated September 24, 2020 informed that as per decision of program committee the result of initial QAT was not considered as the licensee has not enough time to trained students and result of this test was performance of previous management. Management reply was not acceptable as payment made on poor results needs to be justified.

DAC in its meeting held on October 19, 2020 directed the management to impose penalty on non-performing schools as per license agreement and pended the para till result of 3rd QAT to see the performance of the schools.

Audit recommends compliance of DAC's directions.

***10.1.4.6 Unjustified waiving of penalties which were charged due to non-fulfillment of PEIMA conditions by the licenses operating schools - Rs 25.475 million***

The Punjab Education Foundation has notified certain rates of penalties on licensees on account of different violations committed by the licensees. As the PEIMA has adopted all the policies of PEF thus the penalties should also be imposed on same rates as applicable on the PEF licensees.

During the audit of Punjab Education Initiatives Management Authority (PEIMA) for the year 2018-19, it was observed that the management of PEIMA charged penalties while making payments to licenses during 2018-19 due to several violations which were found during inspection such as non-inserting PEIMA Board, school building being utilized for other purpose, residence in schools, electricity wiring unsafe, no sanitary worker, no drinking water, no security guard, corporal punishment, poor cleanliness conditions, non-availability of teacher/students attendance register, having one teacher only etc.

It was further observed that the CEO of PEIMA placed the matter in Board and got the approval for negligible rate of penalties for the violations. The revised rates of penalties are too below than the previous rates (applicable also on

PEF schools). Due to charging of low penalties, the quality of schools and education standard was comprised. The detail is given as under:

Sr. No	Particulars	Penalties charged (Rs)	Penalties waived off (Rs)
1	Educational Chain/NGOs	23,097,802	17,047,596
2	PEF partners	5,744,244	4,449,447
3	Private schools	1,259,733	1,109,623
4	Retired government servants	714,613	614,215
5	Private individuals	2,845,021	2,254,504
	<b>Total</b>	<b>33,661,413</b>	<b>25,475,385</b>

Audit was of the view that the penalties should have not been waived/reduced because due to charging of minor penalties the licenses will not bother to improve quality of education systems at one end and at other end government has deprived a considerable amount for which licensees were found at fault, therefore, the action of the management for reduction in penalties charges was considered irregular.

The matter was reported to the management on July 21, 2020, the management in its reply dated September 24, 2020 informed that penalties were imposed by the CEO and later on waived by the CEO on the basis and justifications provided by the licensees. Reply was not acceptable as the matter need to be taken into the notice of BoD to formulate policy on the issue.

DAC in its meeting held on October 19, 2020 directed the management to inquire the matter by Administrative Department and place report before BoD.

Audit recommends compliance of DAC's directions.

#### ***10.1.4.7 Unauthorized shifting of brand new car to staff of minister school education - Rs 1.429 million***

According to clause 3.5.1.1 of chapter 3.5 of PEF financial manual (adopted by PEIMA) "no payment shall be processed until independently verified by the Finance Department and all transactions shall be executed as per the approved financial powers" Further, as per clause 3.5.1.3 "Any discrepancy observed during the verification process shall be resolved by the respective department".

During the audit of Punjab Education Initiative Management Authority (PEIMA) for the year 2017-18 and 2018-19, it was observed that the School Education Department vide its letter dated July 15, 2019 directed to provide official vehicle for official use in the office of Minister for School Education. The management of PEIMA handed over the vehicle Suzuki Cultus bearing Registration Number LEG- 2884 in July 2019 to School Education Department and also paid POL of Rs 10,318 for the month of July 2019. In August 2019 the petrol bills of Rs 9,965 were submitted to PEIMA which were not accepted. The handing over the vehicle to Minister Staff was considered irregular as there was instructions or guidelines of S&GAD.

Audit was of the view that handing over the vehicle to Minister Staff was not covered under any rules and the government rules & regulations do not permit such allocation of vehicles.

The matter was reported to the management on July 21, 2020, the management in its reply dated September 24, 2020 informed that vehicle was transferred on direction of S&GAD. Management reply was not acceptable as shifting of vehicle to minister was considered irregular.

DAC in its meeting held on October 19, 2020 directed the management to write a Letter to Services and General Administration Department through School Education Department regarding clarification of deployment of Car to staff of Minister for School Education.

Audit recommends compliance of DAC's directions.

***10.1.4.8 Irregular deduction of tax while making payments to licensees - Rs 17.872 million***

Income Tax Ordinance, 2001 makes it obligatory to collect and deduct tax at source, however, under Section 49 of this Ordinance, Federal Government, Provincial Government and local governments/bodies are exempted from payment or deduction of withholding tax. For this purpose, advance income tax exemption certificate is to be applied and obtained from the Federal Board of Revenue.

During the audit of Punjab Education Initiatives Management Authority (PEIMA) for the year 2018-19, it was observed that the management of PEIMA opened an account in Bank of Punjab in February 2018 for making its official receipts and payments. The core activity of the PEIMA is to make payments to licensees for running non-performing government schools. The bank deducted huge charges of Rs 17.872 million (Rs 7.007 million + Rs 10.865 million) while making payment to licensees during the period from February 2018 to June 2019. However, on taking up the matter with bank, the bank stopped to make recoveries of tax on such payments from July 2019. The management of PEIMA took up the matter for refunding this amount. The bank stated that the amount of tax deducted has been deposited in the government treasury.

Audit was of the view that the action of the bank for this deduction of tax from the account of the PEIMA was not justified and is not covered under rules. The management should have taken up the matter promptly with senior management of bank. The management should have taken step for refund of this amount from government but matter was not pursued by PEIMA management.

The matter was reported to the management on July 21, 2020, the management in its reply dated September 24, 2020 informed that matter has been taken up with FBR and Bank for recovery/ refund of tax. Management should make serious efforts for early recovery of tax.

DAC in its meeting held on October 19, 2020 directed the management to obtain Tax Exemption and proceed for request for refund of withholding tax (deducted by bank) from FBR.

Audit recommends compliance of DAC's directions

#### ***10.1.4.9 Wasteful expenditure to licensee for grace period – Rs 97.760 million***

As per clause 21(iv) of license agreement, the Licensee shall be paid per child/ per month on the basis of actual enrollment as furnished by the Licensee to the Licensor in prescribed manner. However, in case enrollment is less than 150 students in a school during first six months payment shall be made for 150 students. And after six months from the date of agreement execution the payment shall be made as per the actual enrollment.

During the audit of PEIMA for the year 2018-19, it was observed that the basic objective of Public School Support Program (PSSP) was to enhance the student's strength of non-performing public schools (Govt. Schools with less than 100 enrolments). There were 244 Schools under the administrative control of PEIMA wherein the enrolment of students was less than 60 which was much lower than minimum requirement of 100 students in each school. Further it was revealed that initially these schools were paid for 150 students per school without considering the actual enrolment. The 6 months grace period was allowed to these licensees to increase enrolment and during this period the licensee were paid for 150 students despite of actual enrolment.

However it was observed that the licensees of these 244 schools not only failed to improve the student's strength of these non-performing schools but the actual student strength of these schools was decreased with the passage of time and it was almost 50% below from actual enrolment at the time handing over of these schools to licensees. Thus the payment of Rs 97.760 million made for 150 students during the grace period seems unjustified and wasteful as detailed hereunder:

S N	No of Schools and category	Enrolment at the time of handing over	Current Enrolment (as on 30.06.2019)	Enrolment paid (@ 150 students)	Diff.	Fee per student (Rs)	Unjustified payment for 6 months (Rs)
0	1	2	3	4	5	6	7 (5 x 6)x 6 months
1	35 Schools of Individuals	1,419	505	5,250	3,831	550	12,642,300
2	209 Schools of Organizational setup Schools	11,509	5,786	31,350	19,841	715	85,117,890
	<b>Total</b>	<b>12,928</b>	<b>6,291</b>	<b>36,600</b>	<b>23,672</b>		<b>97,760,190</b>

Audit was of the view that management of PEIMA failed to take any punitive measures to enforce licensees to enhance their Schools enrolment. As the licensees not only failed in enhancement of schools enrolment but it was also observed from record that enrolment of students was declined. Thus payment of grace period to the tune of Rs 97.760 million had gone wasted.

The matter was reported to the management on July 21, 2020, the management in its reply dated September 24, 2020 informed that payment was made as per approved criteria. Management reply was not acceptable as payment of grace period was not justified by the licensees.

DAC in its meeting held on October 19, 2020 directed the management that the matter may be investigated by PMIU and in case of poor performance, schools be reallocated as per policy.

Audit recommends compliance of DAC's directions

***10.1.4.10 Unverified/doubtful payment of salaries to teachers by licensees during Covid-19 period - Rs 296 million***

As per clause 22(i) of license agreement the "Funds shall be provided to the licensee on monthly basis at the rate of current base rate of Rupees 550 per student per month to cover expenditure like tuition fee, salary of teachers and other school staff, stationery charges, allied expense i.e. laboratory, library, co-curricular activities, minor repair, maintenance and renovation of school building and furniture"

During the audit of Punjab Education Initiative Management Authority (PEIMA) for the years 2017-18 and 2018-19, it was observed that the management of PEIMA made payments to the schools despite closure of schools since March 2020 during period of Pandemic of COVID-19. The payment of Rs 296 million was made to the licensees for the month of March 2020 whereas payments for the period April 2020 to June 2020 was estimated to Rs 906 million and is in process. As the news are in circulation, that the private schools are not paying salaries to the teachers but no measures have since been taken by PEIMA management to ensure that the private licensees have either paid salaries to teachers or stopped making salaries payments.

Audit was of the view that the action of the management for non-adopting strategy for securing the interest of the teachers was considered irregular.

The matter was reported to the management on July 21, 2020, the management in its reply dated September 24, 2020 informed that certificate

regarding payment of salary to teachers has been obtained from licensees with warning that nonpayment of salary to teachers leads to cancellation of license.

DAC in its meeting held on October 19, 2020 showed its concern for payment of salaries to teachers in cash and directed the management to ask the Licensees for opening of bank accounts of teachers for salary transfer.

Audit recommends compliance of DAC's directions.

## **Chapter-11**

### **Specialized Healthcare & Medical Education Department**

#### **11.1 Introduction**

Specialized Healthcare & Medical Education Department delivers quality healthcare services to the community through an efficient and effective service delivery system that is accessible, equitable, culturally acceptable, affordable and sustainable. Specialized Healthcare & Medical Education Department aims to improve the health and quality of life of all, particularly women and children, through access to essential health services. Specialized Healthcare & Medical Education Department strives to reform and strengthen the critical aspects of the health systems.

#### **Aims & Objectives**

- Provide and deliver a basic package of quality essential health care services
- Develop and manage competent and committed health care providers
- Generate reliable health information to manage and evaluate health services
- Adopt appropriate health technology to deliver quality services
- Finance the costs of providing basic health care to all
- Reform the health administration to make it accountable to the public

#### **Governing Laws**

- Pakistan College of Physician & Surgeons Ordinance, 1962
- Eye Surgery (Restriction) Ordinance, 1960
- Medical and Dental Council Ordinance, 1962
- Pharmacy Act, 1967
- Punjab Health Foundation Act, 1992
- Mental Health Ordinance for Pakistan, 2001
- University Of Health Sciences Lahore Ordinance, 2002

**Formations:**

- Punjab Pharmacy Council
- Punjab Health Foundation
- Punjab Health Initiative Management Company
- Medical Store Depot

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	4	2	7,565.89	7,740.21
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

**Classified Summary of Audit Observations**

Audit observations amounting to Rs 1,990.656 million were raised as a result of this audit. This amount also includes recoverable of Rs 943.711 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

Sr. No	Classification	Amount (Rs in million)
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	6.828
c.	Management of Accounts with Commercial Banks	241.019
4.	Value for money and service delivery issues	7.227
5.	Other	1,732.537

## 11.1.1 Punjab Health Initiative Management Company

### Introduction

Punjab Health Initiative Management Company was incorporated on February 07, 2015 as a company limited by guarantee and not having share capital under section 42 of the Companies Ordinance 1984. The company has been registered with the Registrar joint Stock Company, City District Government, Lahore.

The principal objective of the Company is management of special initiatives in health sector including improving universal health coverage/insurance for benefit of people living across Province of Punjab. The registered office of the Company is situated at H-42/D-E-1, Ghalib Road, Gulberg-III, Lahore.

### 11.1.2 Comments on Audited Accounts

11.1.2.1 The working results of the company for the year ended June 30, 2020 as compared to the previous years are as under:

(Rs in million)

	2019-20	% Inc/ (Dec)	2018-19	% Inc/ (Dec)	2017-18
<b>INCOME</b>					
Grant related to income	6,456.892	152	2,562.351	99	1,287.793
Grant related to assets	14.047	(32)	20.609	186	7.207
Unspent Insurance Premium	721.146	-			
Other income	242.087	392	49.158	4	47.241
<b>Total Income</b>	<b>7,434.172</b>	<b>182</b>	<b>2,632.118</b>	<b>96</b>	<b>1,342.242</b>
<b>EXPENDITURE</b>					
Program cost	7,299.190	195	2,473.447	106	1,200.926
Salaries and other benefits	96.299	(6)	101.921	4	97.840
Other operating expenses	39.628	(12)	44.877	3	43.453
Finance cost	2.231	27788	0.008	(62)	0.021
Loss on repayment of grant	0	(100)	12.887		0
<b>Total Expenditure</b>	<b>7,437.348</b>	<b>182</b>	<b>2,633.142</b>	<b>96</b>	<b>1,342.242</b>
Deficit for the year	(3.176)	210	(1.023)		-

(Source: Initialed Accounts)

The deficit of the company increased from Rs 1.023 million in 2018-19 to Rs 3.176 in 2019-20 registering 210% increase. Efforts need to be made to convert the deficit into surplus to make the company a going concern.

**11.1.2.2** Advances of Rs 763.233 million increased in 2019-20 from Rs 48.119 million in 2018-19 registering 1487% increase. It included an amount of Rs 721.145 million as unspent premium receivable from Insurance Company and an amount of Rs 40.858 million receivable/advances to consultant was remained static during 2018-19 & 2019-20 reflecting management failed to get deliverables from the suppliers. Efforts need to be made for recovery.

**11.1.2.3** According to note 10, opening balance of deferred grant as on June 30, 2019 was Rs 5,114.732 million and grant received from the Govt. during 2019-20 was Rs 2,000 million. Management could only utilize Rs 6,456.891 million during the year and balance of Rs 657.780 million as unspent grant retained by the management in its commercial banks which needs to be justified.

**11.1.2.4** According to note 22, an amount of Rs 38.663 million was paid to ECSP during the year 2018-19 for consultancy. The compliance on the recommendation issued by the said consultant needs to be shared with audit.

**11.1.2.5** According to note 25, management paid Rs 74.557 million against managerial remuneration during the year 2019-20 while the major 3 key positions i.e. CEO, COO & CIA were remained vacant during the whole year. Non-hiring of above positions vacant since long needs to be justified.

**11.1.2.6** An unsigned Financial Statement for the year 2019-20 was submitted to the Audit depicting it was not approved by the BoD. Management needs to submit approved copy of Financial Statements for 2019-20.

### **11.1.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

#### **11.1.4 Audit Paras**

##### ***11.1.4.1 Retention of profit into commercial bank on SDA grant -Rs 241.019 million***

As per Austerity/Economy measures for the financial year 2019-20 issued by Finance Department dated 09-08-2019 sated that, "Placement of Funds in Bank of Entities: Unnecessary parking of public funds provided by the Provincial Government from its budgetary allocation in the commercial bank accounts of Companies, Authorities, Autonomous Bodies etc. shall not be allowed. Finance Department will release funds to such entities in relevant SDAs or through normal release mode. These funds will be further transferred from SDAs into commercial bank accounts of such entities as per cash flow requirements of entities to avoid un-necessary parking of funds.

During the Audit of PHIMC for the year 2019-20, it was observed that an amount of Rs 1,102.839 million was the opening balance of deferred grant as on July 01, 2018 and during the year Rs 6,598.000 million was released to PHIMC by the Government of the Punjab out of which only Rs 2,583.107 million (34%) could be utilized and unutilized grant was placed / parked in commercial bank in violation of above said austerity measures. In 2019-20 further grant of Rs 2,000 million was also released to the PHIMC.

The bank profit on deposit was also increased from Rs 43.367 million in 2018-19 to Rs 241.049 million in 2019-20 (455%) due to retention of funds in bank account. The said profit of Rs 241.049 million has still retained by PHMIC into commercial bank account without reporting to the Government/Finance Department in violation of above said austerity/economy measures. It needs to be justified.

Audit was of the view that the Government grant should properly be utilized on the specific and productive purpose for which it was released and excess funds alongwith its earning on such funds should be returned to the Government in time so that it can be utilized for another development purpose. The earning on funds retained in the commercial bank account without reporting to the Government is negligence on the part of the management and needs justification.

The matter was reported to the management on December 24, 2020. In SDAC meeting held on Feb 01, 2021 management explained that the profit amount was still retained in the Company's Bank account. Representative of Finance Department raised his objection on the mechanism adopted by management regarding reporting of profit to the Government. Management apprised that in future it will be reported in a proper format instead of placing at additional note. SDAC accepted the contention of the management till that extent and settled the issue of non-reporting with a direction to report it in time and in a proper format. Further, Finance representative recommended that a proper case be submitted in the Finance Department through Administrative Department for deciding the fate of said profit either adjusted in next year grant or refund to the Govt. treasury. SDAC pended the para till the compliance of said recommendation.

Audit recommends compliance of SDAC's directives.

***11.1.4.2 Wasteful expenditure paid to M/s bridge factor (transaction advisor) - Rs 7.227 million***

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

During audit of Punjab Health Initiative Management Company (PHIMC) for the year 2019-20, it was revealed that management of PHIMC entered into an contract with M/s Bridge Factor Consortium (Partners: M/s Pro Health and M/s Axis Law) for provision of services in respect of developing models of private, philanthropy and public sector engagement for construction, operation and maintenance of general infrastructure and services in Punjab at a total cost of Rs 9.00 million for construction of 500 bedded General Hospital on PPP Mode.

PHIIMC management paid Rs 7.227 million to M/s Bridge Factor Consortium (Partners M/s Pro Health and M/s Axis Law) from the funds/grant released for the project of SSP insurance premium as no funds were allocated and

released by the Government on the said Project therefore, said disbursement of such expenditure is held irregular by audit.

Furthermore, the said project was scrapped by the BoD in its 40th meeting as the management failed to get possession of land from the Government. Due to failure of said project the expenditure of Rs 7.227 million incurred had also gone wasted.

Audit was of the view that the said wasteful expenditure incurred is the negligence on the part of the management based on the reasons i.e. funds of one project was disbursed on another project; without getting approval from P&D/any competent forum of the Government; and without getting ownership title & possession of asset/land the project was initiated.

The matter was reported to the management on December 24, 2020. SDAC meeting was held on Feb 01, 2021, SDAC did not accept the contention of the management and directed to probe into the matter through Administrative Department whether the SDA funds allocated against SSP Programme were utilized on another project without approval/concurrence of Finance Department alongwith reasons dig out about expenditure gone wasteful as well as fixing responsibility on person at fault.

Audit recommends compliance of SDAC's directives.

***11.1.4.3 i. Non-recovery of unspent insurance premium from state life - Rs 772.304 million***

***ii. Non-charging of interest on unspent premium receivable from state life -Rs 165.151 million***

As per clause 16.10 1.6(iv) of the agreement dated June 16, 2016, "the Company will develop and manage the funds as described before and according to the design given in Appendix A. the Equalization Reserve Fund will be settled on annual basis as per ratio at which premium is being paid to the Company by the respective Parties. The unspent premium thus calculated is shared between two parties as per below mentioned %age:

Year 1	Share of programme (Government)	95%
	Share of Company (Insurance Company)	5%
Year 2	Share of programme	90%
	Share of Company	10%
Year 3	Share of Company	85%
	Share of Company	15%

During the audit of PHIMC for the year 2019-20, it was observed that M/s State life Insurance Company was hired as per above mentioned contract dated June 16, 2016 to provide Health insurance Services to the deserving families identified from BISP data in the 04 districts of Punjab Province. The services were later on spread to further 13 districts through addendum-I dated October 20, 2017.

As per above mentioned contract the Insurance company was bound to pay back the unspent insurance premium alongwith interest amount on annual basis to the Government. But it was noted that an unspent premium (only principal amount) Rs 772.304 million for the period of 3 years pertains to first 04 Pilot districts was still receivable from the Health Insurance Company (M/s State life) while an interest amounting to Rs 165.151 million on the said receivables was not calculated and reported in the book of accounts which was held irregular.

Management also failed to provide and report unspent premium amount of above 13 districts due to non-functioning of monitoring and evaluation mechanism of medical claims.

Audit was of the view that non-recovery of unspent premium alongwith interest and non-existence of monitoring and evaluation of medical claims is negligence on the part of the management.

The matter was reported to the management on December 24, 2020. SDAC in its meeting held on Feb 01, 2021 directed that the audit observation was linked with recovery affected while management could not recover a single penny from the subject amount. SDAC pended the para till recovery affected.

Audit recommends compliance of SDAC's directives.

#### ***11.1.4.4 Loss due to additional premium paid to SLIC -Rs 570.193 million***

As per addendum 1 dated October 20, 2017, Section C termed as, “the Parties intend to extend the implementation of Health Service Programme into further thirteen (13) districts in Punjab (the Additional Districts)”. Clause 1.7(i) amended in the addendum as “the Parties hereby agree that beneficiaries of the premium paid shall be eligible families in districts i. Rahim Yar Khan; ii. Khanewal; iii. Narowal; iv. Sargodha; v. Muzaffargarh; vi. Vehari; vii. Lodhran; viii. Multan; ix. Rajanpur; x. D.G Khan; xi Mianwali; xii. Bhakkar; xiii. Khushab; xiv. Bahawalpur; xv. Bahawalnagar; xvi. Hafizabad; xvii. Layyah and their data shall be provided by the NADRA on the date of signing of this First Addendum”.

During audit of Punjab Health Initiative Management Company (PHIMC) for the year 2019-20, it was observed that management of PHIMC paid 10% mobilization advance and premium amounting to Rs 412.014 million to the State life Insurance Company for the Four Districts i.e. DG Khan, Rajanpur, Muzaffargarh and Multan in 2017 (Phase-I). As per agreement, the period of the contract was three years at prescribed premium rate of Rs 1,299.98 per family. Management failed to serve the beneficiaries of said districts through health insurance service provider till December 2018. In January 2019, another contract under the titled Sehat Sahulat Programme Phase-II was signed for providing the health insurance services to the 23 districts of Punjab including 04 districts, which were already covered under the addendum-I of the first contract, and their expiry period was not matured. The premium rate for the new 23 districts in phase-II was fixed @ Rs 1,998 per family.

Management paid Rs 1,632.108 million as insurance premium for the above mentioned 04 districts of Phase-I at new rate (@ Rs 1,998 per family) before the expiry of maturity period due in October 2020. It resulted in additional premium @ Rs 698 per family (Rs 1998 phase-II less: Rs 1,299.98 Phase-I) due to which a loss of Rs 570.193 million was born by Govt. exchequer.

Audit was of the view that the additional payment of premium is negligence on the part of the management and an undue favour was granted to the

service provider which needs to be justified, and an early recovery may be affected.

The matter was reported to the management on December 24, 2020. In SDAC meeting held on Feb 01, 2021, management apprised that the said case was approved by the Provincial Cabinet and National Steering Committee. Audit inquired about details submitted to the said forum regarding failure of non-inauguration of services in the subject districts even mobilization advance and premium was also paid to the SLIC. Management could not respond properly on audit query therefore, SDAC pended the para and directed to probe into the matter.

Audit recommends compliance of SDAC's directives.

***11.1.4.5 Failure for integration of CMIS with HMIS and resultant wasteful expenditure -Rs 19.00 million***

As per contract between Ministry of National Health Services Regulations and Coordination (NHS&C) and State Life Insurance Corporation of Pakistan for Sehat Sahulat Programme clause No. 8.5,15.3 and15.6, "State life will make sure that contracts with providers will include predetermined negotiated package rates for services (diagnosis or procedures) based on some rational market benchmarks or costing model. Proof of this market survey will be provided along with contracts to Federal Government prior to its approval. Rates for services will be shared and discussed with SSP for final approval and will be reviewed annually." Clause 15.3 states as "State Life should ensure real-time link of their MIS with CMIS developed and maintained by NADRA for SSP. It means all data available on State Life MIS should also be available and accessible to SSP simultaneously through CMIS of NADRA by their real time automated linkage. Any rejections in data synchronization shall be resolved within 48 hrs,".Clause 15.6 states as "SSP / Government(s) may also build on existing CMIS or source / develop some new software / tool /system with the help of NADRA State lie or its ASOs (if any), health providers / facilities will be bound to use that common platform for the smooth management of the program."

During the audit of PHIMC for the year 2019-20, it was observed that the Medical Health Insurance facility was started under SSP to the deserving families

identified from BISP data in the 04 districts of Punjab Province as pilot project in 2016 which was spread in all 36 districts of the Punjab in 2019. M/s State life Insurance Company was hired at the premium of Rs 1,998 per family for provisioning of said services through its empanelled Hospitals. As per Contract agreement signed with the Insurance Company a benchmark standard were fixed for empanelment of Hospitals. In this regard during 2019-20 management could only evaluate the services of few hospitals in 06 districts out of total 36 districts and could provide only evaluation results of 56 hospitals out of 173 which indicating poor performance.

Furthermore, to analyze the patient flow and Medical Claims of said Hospitals were asked from the management but management informed that such kind of data was not available in CMIS system which indicating that no real time link of CMIS was created with MIS of Insurance Company. Management has paid Rs 19.00 million to NADRA for establishment of an integration of CMIS Database with HMIS of insurance company for linking/availability of real time data which has gone wasteful due to incomplete real time sharing.

The following discrepancies were also observed/found under SSP program:

Out of 173 hospitals, 117 were never evaluated either they meet standards or not and remaining 56 evaluated hospitals 16 hospitals were below standards.

Management failed to resolve the issue of 453,868 families (comprising 5 members each family) identified as invalid/discrepant families derived from BISP data.

Non-symmetry in the rates of medical treatments offered by empanel hospitals even within a district. The rates were also not approved by the steering committee as mentioned in the clause 8.5 of contract/agreement.

The medical examinations e.g. CT Scan & MRI were also not found/available in the majority of districts.

Non-availability of real time data due to failure of real-time linking/integration of CMIS with HMIS raised a question mark on the performance of IT cell and M&E cell.

Audit was of the view that poor monitoring & evaluation and no proper maintenance and integration of CMIS system is a negligence on the part of the management and needs justification.

The matter was reported to the management on December 24, 2020. In SDAC meeting held on Feb 01, 2021, management could not respond properly on the audit queries regarding (i) weak monitoring and evaluation of medical services in the panel hospitals, (ii) failure for resolving the issue of discrepant data, (iii) failure in approval of medical package rates from the National Steering Committee, (iv) failure in availability in medical examination like CT scan & MRI in all districts and (v) failure of real time linking/integration of CMIS with HMIS which was an integral part of the contract. SDAC pended the para and directed to inquire the matter in view of fixing responsibility.

Audit recommends compliance of SDAC's directives.

## **11.2.1 Punjab Health Foundation**

### **Introduction**

Punjab Health Foundation (PHF) is a corporate body established under Punjab Health Foundation Act 1992. The objectives of the Foundation are to

- i. Provide loans to doctors for setting up clinics
- ii. Provide loans to health institutions for promotion of health services
- iii. Establish health institutions and allied projects

### **11.2.2 Comments on Audited Accounts**

The management failed to provide annual audited accounts for the years 2014-15 to 2019-20 by December 31, 2020.

### **11.2.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

### **11.2.4 Audit Paras**

#### ***11.2.4.1 Non-preparation of annual accounts for the year 2014-15 to 2019-20***

As per clause 12 of the Punjab Health Foundation Act 1992, the budget of the Foundation shall be approved and its accounts shall be maintained and audited in such manner as may be prescribed. According to Rule-23 of the PHF (Financial & Accounting Rules) 1996, the MD PHF shall present the annual audit report before the Board of Directors for each financial year.

During audit of Punjab Health Foundation for the years 2015-16 to 2019-20, it was revealed that the management failed to finalize its annual accounts for the year 2014-15 to 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

#### ***11.2.4.2 Irregular hiring of consultant -Rs 6.828 million***

According to Rule-4 of the Punjab Procurement Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of Punjab Health Foundation for the years 2015-16 to 2019-20, it was observed that the management hired the services of Dr. Amjad Saqib for three consultancies for revamping PHF Loan Schemes and preparation of Credit, HR and Financial Manuals during 2016 and 2018 in non-transparent manner which was held irregular on following grounds:

Services of one and the same consultant was valuing Rs 6.828 million were obtained in non-transparent manner;

The purpose of first and second individual consultancy was one and the same i.e. improvement in smart loan scheme;

The object of procurement did not bring value for money to the foundation and the procurement process was neither efficient nor economical. As per remarks of Deputy Managing Director dated: December 20, 2017 against proposal for hiring of consultants, we may improve the capacity and capabilities of the PHF staff from MPDD instead of hiring a costly consultant but same was ignored by the top management and services of Dr. Muhammad Amjad Saqib were hired in non-transparent manner which was held irregular;

The management made procurement of Enterprise Resource Programme (ERP) valuing Rs 3.571 million for deployment in loan application receiving, screening, approval and disbursement, loan recovery system, finance and accounts system, payroll, cash & asset management, payroll and receivable management, monitoring & evaluation, file tracking system, project based accounting & reporting hence hiring the services of the consultant for same purpose was not justified;

The HR, Credit and Financial Manuals were not implemented till December 2020 hence expenditure of Rs 2.970 million on its preparation was

wasteful. Furthermore, the Credit Manual did not mention the detailed procedure for recovery of loan amount in case of default by respective loanees;

Audit was of the view that the management was required to plan the above activities and select consultant / consulting firm for the above assignments as a whole in a transparent manner. Contrarily services of individual consultant were hired in non-transparent manner which was held irregular.

The matter was reported to the management on December 24, 2020. During SDAC in its meeting held on January 21, 2021, management explained that although TORs of consultancies were interlinked and higher but made in a transparent manner. The SDAC directed the management to provide the documentary evidence of the capacity building of PHF staff.

Audit recommends compliance of SDAC directive.

#### ***11.2.4.3 Non-recovery from Doctors due to mis-utilization of loan - Rs 6.256 million***

According to Rule 10(1) of the Punjab Health Foundation (Provision of Grants/loans and Lease of Land) Rules 1993, the assistance provided by the foundation shall be utilized only for the purpose for which it has been made available and the assets raised through such assistance shall not be used for any other purpose.

During audit of Punjab Health Foundation for the years 2015-16 to 2019-20, it was observed that the management disbursed loan to four doctors under Scheme 3. These doctors did not utilize the loan for which it was granted as detailed below:

<b>Sr. No.</b>	<b>Name of Loanee</b>	<b>Date of disbursement</b>	<b>Amount of loan (Rs )</b>	<b>Mis utilization amount (Rs )</b>	<b>Total outstanding (Rs )</b>
1	Dr. Poonam Hameed	26.10.2010	1,500,000	1,255,563	1,255,563
2	Dr Tariq Bashir	21.10.2008	400,000	479,113	487,113
3	Dr. Siraj Ahmad	29.01.2018	2,500,000	1,179,938	1,179,938
4	Dr. Khalid Mehmood	11.07.2018	2,500,000	1,301,688	3,332,938
<b>Total</b>					<b>6,255,552</b>

This resulted into non-recovery of mis-utilized loans by above doctors which was held irregular.

Audit was of the view that the management was required to properly monitor the loanee regarding utilization of loan but same was not done which showed poor internal control. Therefore, the management was required to effect recovery of the mis-utilized loans but same was not done.

The matter was reported to the management on December 24, 2020. SDAC in its meeting held on January 21, 2021, directed management to effect recovery from defaulters.

Audit recommends compliance of SDAC directive.

#### ***11.2.4.4 Irregular withdrawal and utilization of Special Drawing Account Funds - Rs 198.333 million***

According to clause 2.1(b) of the Revised Procedure for the operation of PLAs issued by Controller General of Accounts vide letter dated July 14, 2007, the drawing authorities will ensure that no money is drawn from these accounts unless it is required for immediate disbursement. Money will not be drawn for keeping into a bank account or in chest. According to paragraph 2(ii) of the Finance Department letter No FD.SO(Goods)44-4/2016 dated September 14, 2017 & August 01, 2018, parking of public funds provided by the provincial government from its budgetary allocation in the commercial bank accounts of autonomous bodies shall not be allowed.

During audit of Punjab Health Foundation for the years 2015-16 to 2019-20, it was observed that the management received grants valuing Rs 198.333 million during the 2017-18, 2018-19 and 2019-20 but following discrepancies were noticed:

The foundation management was unable to explain with documentary evidence the basis of these government grants;

The foundation management was unable to provide the detail of expenditure met out of these grants after withdrawal from treasury;

No reconciliation was made with DAO/TO in violation of the revised procedure for the operation of PLAs issued by Controller General of Accounts vide letter dated: July 14, 2007 referred above;

The foundation management also failed to reconcile the expenditure on monthly basis (by 7th of each month) with DAO/ TO;

The foundation management not submitted monthly accounts of expenditure supported with paid vouchers to the concerned AG/DAO/TO for post audit by 15th of each month;

The foundation management had withdrawn all funds from SDA account to avoid lapse of funds and transferred them to commercial banks without immediate need.

This resulted irregular withdrawal and utilization of SDA funds valuing Rs 198.333 million.

Audit was of the view that the management was required to withdraw the public funds from treasury only for immediate disbursement but funds were transferred to commercial banks without immediate need in violation of the above referred rules.

The matter was reported to the management on December 24, 2020. During SDAC in its meeting held on January 21, 2021, management explained that reconciliation with the AG Punjab was made. The SDAC directed the management to provide date wise data regarding withdrawal of funds and expenditure.

Audit recommends compliance of SDAC directives.

***11.2.4.5 Mis utilization of loan by M/s Anjuman Behbood-e-Khawateen - Rs 1.300 million***

As per clause– 4 of Loan Agreement, the borrower was bound to purchase medical equipment within period of two months and send the receipts of the equipment to the Punjab Health Foundation. Further as per clause 5, if the delay of more than two months it will be presumed that the loan has been used for any purpose other than the purchaser of equipment and the Foundation shall recover

the amount of already disbursed loan along with penalty equal to the double of mark-up charged by scheduled banks as prescribed under Rule 10 of the Punjab Health Foundation.

During audit of Punjab Health Foundation for the years 2015-16 to 2019-20, it was observed that the management disbursed an amount of Rs 1.300 million to M/s Anjuman Behbood-e-Khawateen, Saba Clinic, Pindigheb, Attock. The loan was paid in two equal installments of Rs 0.650 million each. The loanee did not provide the original purchase receipts of medical equipment despite lapse of more than one year which indicated that the loan was mis utilized. Furthermore, no action was taken against the loanee by recovery department.

Audit was of the view, that the management was required to obtain the purchase receipts of procurement from the loanee but no action was taken in this regard which was slackness on the part of management. Furthermore, management should have taken effective steps regarding auction of the mortgage property of the defaulter loanee to recover the mis-utilized loan amounting to Rs 1.300 million. The management was also required to take up the matter with PMDC through Health Department for recovery of the mis-utilized loan.

The matter was reported to the management on December 24, 2020. During SDAC in its meeting held on January 21, 2021, management explained that PHF Team visited the hospital run by the NGO on June 26, 2019 and verified the installation of medical equipment according to quotation and approval of the F&TC. Reminder was again issued for purchase invoices on Dec 18, 2019. The case is now being processed for fixation of penalty. The Committee directed that the matter may be expedited and fix penalty within one month.

Audit recommends compliance of SDAC directive.

### 11.3.1 Punjab Pharmacy Council (PPC)

#### Introduction

The main objective of the Council is to regulate the Practice of Pharmacy. It is an autonomous and educational rather than commercial Institution. Punjab Pharmacy Council was established in November, 1969 under the Pharmacy Act, 1967. The Council is performing the following functions:-

- i. To prepare and maintain registers of Pharmacies and Apprentices in Pharmacy.
- ii. To register Pharmacists and grant certificates of registration.
- iii. To conduct examinations for the purpose of registration as Pharmacists; and
- iv. To do such other acts and things as it may be empowered or required, to do by this Act.

#### 11.3.2 Comments on Audited Accounts

11.3.2.1 The working results of the Company for the year 2019-20 as compared to previous years are tabulated below:

	2019-20	%Inc /(Dec)	2018-19	%Inc /(Dec)	2017-18
(Rs in million)					
<b>Income</b>					
Renewal fee	38.20	42.64	26.78	(5.10)	28.22
Registration fee	8.03	2.03	7.87	40.29	5.61
Examination fee	110.30	11.95	98.53	33.96	73.55
Interest Income	70.12	142.29	28.94	47.43	19.63
Other Income	3.75	1.90	3.68	23.91	2.97
<b>Total income</b>	<b>230.40</b>	<b>38.96</b>	<b>165.80</b>	<b>27.23</b>	<b>130.32</b>
<b>Expenditure</b>					
Salary & wages	15.44	3.62	14.90	1.64	14.66
Other Expenses	44.29	20.65	36.71	134.42	15.66
<b>Total Expenditure</b>	<b>59.73</b>	<b>15.73</b>	<b>51.61</b>	<b>70.22</b>	<b>30.32</b>
<b>Excess of income over expenditure</b>	<b>170.67</b>	<b>49.46</b>	<b>114.19</b>	<b>14.20</b>	<b>99.99</b>

(Source: Annual Accounts)

Total expenditure for the year 2019-20 was Rs 59.73 million, average per month Rs 4.97 million whereas balance under the head cash & bank balances increased

from Rs 10.99 million in 2018-19 to Rs 19.41 million in 2019-20. Balance is required to be maintained according to working capital requirement which needs to be explained.

**11.3.2.2** 11.3.3.2 With Holding Tax/Bank Charges have increased from Rs 6.73 million in 2018-19 to Rs 20.28 million in 2019-20 which needs to be explained.

**11.3.2.3** Training expenses has decreased from Rs 0.57 million in 2018-19 to Rs 0.33 million in 2019-20. It needs to be explained whether expenses were controlled or less trainings were conducted.

**11.3.2.4** Remuneration of Supervisory Staff, NTS has decreased from Rs 22.13 million in 2018-19 to Rs 13.13 million in 2019-20 which indicated that few tests were conducted resultantly and performance of PPC compromised.

**11.3.2.5** Rs 2.26 million shown under head Gratuity / Commutation for 2019-20 as compared to zero balance in 2018-19. Needs breakup with justification.

### **11.3.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were not convened.

## Chapter-12

### Technical Education and Vocational Training Authority (TEVTA)

#### 12.1 Introduction:

Technical Education and Vocational Training Authority, (TEVTA) is a corporate body established under the Punjab Technical Education and Vocational Training Authority Ordinance, 1999. The principal activity of the Authority is to administer, coordinate, supervise and provide guidelines for smooth functioning of Polytechnics Colleges and Technical & Vocational Training Centers etc. In pursuance of the TEVTA Ordinance all the Polytechnics Colleges and Technical & Vocational Training Centers etc. under the administrative control of various Government departments including Service and Training Centers of Punjab Small Industries Corporation (PSIC) were transferred to TEVTA on June 5, 1999 or thereafter.

Sr. No	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	-	-	-	-
2	Authorities/Autonomous Bodies etc. under the PAO	1	1	10,732.03	9,635.84
3	Foreign Aided Projects (FAP)	-	-	-	-

#### Classified Summary of Audit Observations

Audit observations amounting to Rs 603.207 million were raised as a result of this audit. This amount also includes recoverable of Rs 40.473 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

<b>Sr. No</b>	<b>Classification</b>	<b>Amount (Rs in million)</b>
1.	Non-Production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	283.538
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	28.746
5.	Other	290.923

## 12.1.1 Technical Education and Vocational Training Authority (TEVTA)

### Introduction

Technical Education and Vocational Training Authority, (TEVTA) is a corporate body established under the Punjab Technical Education and Vocational Training Authority Ordinance, 1999. The principal activity of the Authority is to administer, coordinate, supervise and provide guidelines for smooth functioning of Polytechnics & Commercial Training Institutes/Colleges and Technical & Vocational Training Centers etc. In pursuance of the TEVTA Ordinance all the Polytechnics & Commercial Training Institutes/Colleges and Technical & Vocational Training Centers etc. under the administrative control of various Government departments including Service and Training Centers of Punjab Small Industries Corporation (PSIC) were transferred to TEVTA on June 5, 1999 or thereafter.

### 12.1.2 Comments on Audited Accounts

The management failed to provide the annual audited accounts for the years 2017-18 to 2019-20 by December 31, 2020.

### 12.1.3 Compliance of PAC Directives

Sr. No.	Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of Compliance
1	2006-07	6	2	4	33%
2	2009-10	3	1	2	33%
3	2012-13	21	5	16	23%
	2016-17	01	01	0	100%
	<b>Total</b>	<b>31</b>	<b>9</b>	<b>22</b>	<b>29%</b>

Overall compliance is 29 % which is very poor and need special attention of PAO.

## **12.1.4 Audit Paras**

### ***12.1.4.1 Non-finalization of annual accounts for the year 2017-18 to 2019-20***

As per clause 17 (2) of TEVTA Act 2010, as soon as may be, after the end of each financial year, the authority, in the manner prescribed, shall cause to be prepared for the financial year statements of account of the authority which shall include a balance sheet and an account of income and expenditure.

During audit of TEVTA for the year 2019-20, it was revealed that the management failed to finalize its annual accounts for the years 2017-18 to 2019-20 which is a clear violation of above mentioned rules.

Audit was of the view that management was required to finalize its accounts timely so that true & fair picture of the state of affairs of the company comes to the knowledge of the stake holders.

Audit recommends to state the reasons of non-finalization of accounts so far besides fixing responsibility.

### ***12.1.4.2 Irregular purchase of computers, servers and laptops by granting undue favor – Rs 37.708 million***

As per rule-4 of PP Rule, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of TEVTA for the year 2019-20, it was observed that management purchased computers, servers and laptops valuing Rs 37.708 million for 18 institutes from M/s DWP Technologies (Pvt.) Limited vide PO dated June 25, 2018. Further it was revealed that management made advertisement for inviting bids from interested parties on August 24, 2017 and last date of submission of bids was September 13, 2017. seven parties submitted their bids out of which 5 parties were technically responsive and their financial bids were opened. As per comparative statement M/s DWP Technologies (Pvt.) Limited was the lowest with offer of Rs 37.708 million. However, the following discrepancies were observed by audit:-

- i. Specification of procured items were not vetted by the experts.
- ii. Brand name and country of origin was omitted in financial bid.
- iii. The supplier did not mention brand name for certain items as required by terms and conditions of bidding documents.
- iv. The lowest bidder did not submit Audited Accounts for analyzing financial strength of the company and undue favor was granted by giving 05 marks to the respective firm for unaudited accounts in technical evaluation.

In the light of above-mentioned facts purchase of computers, servers and laptops valuing Rs 37.708 million held irregular as undue favor was granted in the technical and financial evaluation.

Audit was of the view that the management should have purchased these equipment transparently by following PP rules within agreed terms and conditions but in this case no proper vigilance was carried out by the management which shows mismanagement and in efficiency.

The matter was reported to the management on October 12, 2020. SDAC in its meeting held on January 08, 2021 observed that criteria devised was too generalized and information asked was not required to be supported with appropriate documents. The SDAC directed the management to check Sales Tax Returns of the suppliers regarding financial health.

Audit recommends justification of the irregular procurement as sales turnover and consequent award of 5 marks was not verified from sales tax return of the bidders. Therefore, the management is required to justify the irregular procurement.

#### ***12.1.4.3 Mis-procurement of machinery and equipment by avoiding wide competition - Rs 217.643 million***

As per Rule 4 of PP Rules 2014 procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of TEVTA for the year 2019-20, it was observed that the management purchased machinery and equipment valuing to Rs 217.643 million from various prequalified parties under competitive based training assessment (CBT). Further it was revealed that the management adopted the process of prequalification and due following this process limited bidders i.e. against 11 packages one each and in 5 packages 2 parties each were qualified against each package. Thus, keeping in view, the competition of bidders remained very low due to which the propose of value for money could not be achieved. As a result there of procurement process was not efficient and economic. Detail is given below:-

Sr. No.	Package No.	No. of firms invited for purchase of bidding documents	No. of firms documents purchased	No. of firms submitted bids	No. of firms technically qualified	No. of firms financially qualified	Amount of Purchased Order Rs
1.	464	10	5	2	1	1	27,330,030
2.	459	9	5	3	1	1	25,962,300
3.	463	8	2	2	1	1	36,580,050
4.	492	3	3	2	2	2	24,099,075
5.	454	10	7	2	1	1	41,224,950
6.	466	9	6	3	1	1	9,526,140
7.	468	7	4	2	1	1	315,900
8.	470	8	5	2	1	1	6,334,965
9.	469	6	3	3	2	2	7,133,150
10.	457	9	6	2	2	2	9,990,162
11.	471	6	2	1	1	1	17,795,700
12.	478	10	5	2	1	1	1,033,695
13.	479	10	6	3	2	2	1,785,356
14.	480	6	4	1	1	1	1,971,216
15.	482	6	6	4	1	1	3,989,700
16.	483	3	2	2	2	2	2,570,783
<b>Total</b>							<b>217,643,172</b>

Audit was of the view that management should have adopted open competition by adopting single stage two envelop method instead of prequalification process. It is also pertinent to mention that in ADP scheme management adopted open competition process for procuring similar nature of item. Audit feels that due to adoption of prequalification process healthy competition was not observed.

The matter was reported to the management on October 12, 2020. SDAC in its meeting held on January 08, 2021 observed that only one bid each was received for procurement package No. 471 and 480 out of six pre-qualified bidder for each package. The SDAC directed to seek advice from PPRA regarding submission and acceptance of single bid in the light of pre-qualification process adopted by TEVTA for all packages.

Audit recommends compliance of SDAC directives.

***12.1.4.4 Irregular procurement of different equipment due to amendment in specification after winning contract - Rs 28.187 million***

According to PP Rules 2014 (4), a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical. Further, according to clause 25(3) any information that becomes necessary for bidding or for bid evaluation, after the invitation to bid or issue of the bidding documents to the prospective bidders, shall be provided in a timely manner and on equal opportunity basis.

During audit of TEVTA for the year 2019-20, it was observed that the management procured Metrology Equipment under package No 284 vide Purchase Order dated December 15, 2017 amounting to Rs 11.448 million. The lowest bidder under this package was M/s KTD. M/s KTD after winning the tender, requested the TEVTA management make amendment in specification vide letter dated May 28, 2018. The management accepted offer and the changes the required specification after PO which was held irregular.

Similarly, Management procured Commercial Kitchen Gas M&E vide Po dated October 20, 2017 from M/s Mughal Electric & Machinery Store. Total contract price was Rs 16.739 million. However, contract specification of item No. 03 (Lava Rock Gas Griller with shelves) of PO was changed after placing of PO and management accepted the items of amendment specifications, therefore, procurement amounting to Rs 28.187 million held irregular in audit. Management was required to cancel both purchase orders as contractors failed to provide items according to approved specification.

Audit was of the view the management granted undue favor to M/s KTD and Mughal Electric & Machinery Store as specification of items were changed after placing purchase orders which is against PP Rules. As PP Rules 2014, management should accept the items according to specification given in bid document and PO but same was not done which showed inefficiency of management.

The matter was reported to the management on October 12, 2020. SDAC in its meeting held on January 08, 2021 observed that management changed the purchase order dated January 18, 2018 issued to M/s Mughal Electric and Machinery Store.

Audit recommends to take action against the persons responsible for changing the purchase order.

***12.1.4.5 Non-recovery of outstanding balances from various parties - Rs 30.357 million***

According to Rule 2.10 (1) of the Punjab Financial Rules (Volume-I), every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of TEVTA for the year 2019-20, it was observed that as per certified audited accounts for the year 2017-18 balances of Rs 37.617 million were appearing as receivable from various parties. The aging of these long outstanding receivables was demanded from the management but the same was not provided to audit. Therefore, audit feels the management did not make concrete efforts to recover the outstanding amount from concerned parties due to which there is a risk of conversion of these receivables into bad debts and might cause a loss to the authority at belated stages.

Audit was of the view that the management was required to categorize these outstanding receivable in the light of accounting standards on year to year basis but the same was not done due to which amount of outstanding receivables piled up which indicated poor financial management.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 08, 2021 the management informed that an amount of Rs 7.260 million has been recovered. The SDAC reduced the para to the extent of Rs 30.357 million and directed to effect remaining recovery at the earliest.

Audit recommends compliance of SDAC directives.

***12.1.4.6 Non-recovery of balance amount of completed projects from C&W department - Rs 7.547 million***

According to clause-1 of the TEVTA Financial Guidelines dated September 07, 2018, in incurring and sanctioning expenditure from the Government Fund, the following fundamental canons of financial propriety shall be observed:-

1. Same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.
2. Expenditure should not be more than what the occasion demand.
3. No authority should exercise powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
4. No expenditure shall be incurred for a purpose not authorized by Law.

During audit of TEVTA for the year 2019-20, it was observed that the management failed to recover the balance amount of Rs 7.547 million of 02 completed projects taken on charge i.e. Government College of Technology, Rahim Yar Khan, Government Vocational Training Institute Samanabad, Faisalabad and Technical Training Center in Centre Jail D.G. Khan. Further it was revealed that the management released an amount of Rs 229.936 million to C&W department against which sum of Rs 222.389 million was incurred. Therefore, the balance amount of Rs 7.547 million was to be recovered but the same was not done which showed loose financial controls in the organization. The matter of non-recovery of balance amount as well as the reconciliation statement of these 03 projects with C&W department was demanded from the management in reply they verbally stated that no such reconciliation is being

carried out. Thus, due to non-recovery of balance amount TEVTA suffered a loss of Rs 7.547 million. Detail is as under:

Name of Institute	PC-I Cost (Rs in million)	Amount released (Rs in million)	Actual expenditure (Rs in million)	Outstanding (Rs in million)
GCT, R.Y. Khan	157.218	168.432	165.314	3.118
GVTI (W) Faisalabad	57.301	54.804	51.250	3.554
TTC, Central Jail, D.G. Khan	6.700	6.700	5.825	0.875
<b>Total</b>		<b>229.936</b>	<b>222.389</b>	<b>7.547</b>

Audit was of the view that management need to recover the balance amount from concerned department but the same was not done which is inefficiency on the part of management.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 08, 2021 management explained that the concerned XEN of Building Department has informed that saving in three schemes has been deposited in Government Treasury. The SDAC directed to recover the balance amount from C&W department and deposit the same into Government Treasury.

Audit recommends compliance of SDAC directives.

***12.1.4.7 Non-recovery of Government dues from TEVTA Employees - Rs 2.569 million***

As per Rule 2.10 (a) (1) of Punjab Financial Rules, same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of TEVTA for the year 2019-20, it was observed that government dues of Rs 2.569 million were recoverable from 06 TEVTA employees on account of irregular withdrawal of pay and allowances during leave without pay for 389 days and penalties imposed by the inquiry officer after conducting their inquiries. Whereas, the management failed to recover the same which caused a loss to authority. This indicated poor performance of the

management as well as poor managerial and financial controls in the organization.

Audit was of the view that management needs to recover the government due from the concerned employees but the same was not done which indicated undue favor.

The matter was reported to the management on October 12, 2020. During the SDAC meeting held on January 08, 2021 management informed that de-novo enquiries are still under process. All the recoveries will be made after finalization of enquires. The SDAC directed to complete the inquiries within 20 days.

Audit recommends compliance of SDAC directives.

***12.1.4.8 Irregular withdrawal of un-utilized funds from lapsable PLA account - Rs 253.019 million***

According to Para-02(II) of Finance Department, Government of the Punjab's letter dated October 13, 2017, Parking of public funds provided by Provincial Government from its budgetary allocation in the commercial bank accounts of Companies, Authorities, Autonomous Bodies, etc. shall not be allowed. Further, Finance Department will release funds to such entities in relevant SDA or through normal release mode. These funds will be further transferred from SDAs into commercial bank accounts of such entities as per cash flow requirements of entities to avoid unnecessary parking of funds.

During audit of TEVTA for the year 2019-20, it was observed that almost all District Manager Offices returned/refunded the amount of Rs 253.019 million of beautician and professional cooking courses to TEVTA Head Office after closing financial year 2018-19. Further it was revealed that these funds were released by the Finance Department Govt. of Punjab through lapse able PLA Account 211 and as per their instructions funds will be transferred from PLA into commercial banks by the entity as per cash flow requirement to avoid unnecessary parking of funds. However, in this case the management of TEVTA did not observe the above referred instructions and withdrawn an amount of Rs 253.019 lapse able PLA Account without cash flow requirements which is held irregular. Infact these funds were to be lapsed before close of financial year.

This statement of affairs shows that there was no financial control over financial transactions in the light of Finance Department's instructions of the management of the authority.

The reasons of non-utilization of short courses of funds by the field offices were enquired from the management but no response was received till the close of audit.

Audit was of the view that management was required to observe Finance Department's instruction issued from time to time strictly to make the best utilization of government's funds but the same was not done which shows poor financial controls.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 08, 2021 management informed that funds pertaining to two schemes were drawn from PLA into scheduled banks of TEVTA as per requirement. Subsequently, procurement of both schemes was sub-judice in the court. The SDAC directed that advice may be sought from the Finance Department, Government of Punjab regarding shifting of funds from one development scheme to another development scheme.

Audit recommends compliance of SDAC directives.

#### ***12.1.4.9 Unjustified retention of funds of closed projects - Rs 26.177 million***

According to clause-1 of the TEVTA Financial Guidelines dated: September 07, 2018, in incurring and sanctioning expenditure from the Government Fund, the following fundamental canons of financial propriety shall be observed:-

1. Same vigilance should be exercised in respect of expenditure incurred from Government revenues, as a person of ordinary prudence would exercise in respect of the expenditure of his own money.
2. Expenditure should not be more than what the occasion demand.
3. No authority should exercise powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
4. No expenditure shall be incurred for a purpose not authorized by Law.

During audit of TEVTA for the year 2019-20 it was observed that balance amount of Rs 26.177 million was appearing against following projects which have closed in the books of accounts. These funds should have returned to concerned department but the same was not done which is held irregular and unjustified. Detail of retained funds is as under:-

Sr. No.	Name of Project	Name of office held amount of funds	Amount (Rs)
1.	PSDP	Central Zone	8,156,614
2.	NAVVIC Hundermand	TEVTA Secretariat	2,530,517
3.	-do-	Central Zone	1,008,565
4.	-do-	North Zone	1,820,684
5.	-do-	South Zone	4,901,725
6.	NRSP	TEVTA Secretariat	1,030,453
7.	-do-	South Zone	205,494
8.	NAVTEC Special Training Programme	TEVTA Secretariat	16,385,778
9.	-do-	Central Zone	3,022,905
10.	-do-	South Zone	1,226,862
11.	-do-	North Zone	1,807,304
<b>Total</b>			<b>42,096,901</b>

The reasons of non-return of these funds were demanded from the management but the same was not provided so far. Moreover, reconciliation statement of these funds and expenses was also demanded but the same was not provided to audit.

Audit was of the view that the management should have returned the balanced amount to the respective projects immediately after closing thereof but the same was not done which shows inefficiency.

The matter was reported to the management on October 12, 2020. During SDAC meeting held on January 08, 2021 management explained that out of Rs.42.097 million an amount of Rs. 26.177 million is available as saving/unspent balances and the same will utilize in other slow-moving schemes under these projects after approval from TEVTA Board. The SDAC kept the para pending with the directions that a proposal may be forwarded to the TEVTA Board for utilization of savings / unspent balances at the earliest.

Audit recommends compliance of SDAC directives.

## Chapter-13

### Tourism Department

#### 13.1 Introduction

Our youth has grown in the information age, so it has more potential to bring change in the society. The youth should be provided with processes, programs and strategies to harness its potentials. So, in October 2011, new Department comprising on Youth Affairs, Sports, Archaeology Department of Tourist Services & Tourism was created. Our vision is to empower and strengthen the youth through fostering holistic sports activities and also preserving, restoring and developing cultural heritage and tourist sites all over Punjab.

#### Tourism

The Tourism Development Corporation of Punjab plays a crucial role in coordinating and supplementing the efforts of the Government in strengthening promotional and marketing efforts, catalyzing private investment and in providing trained manpower resources. TDCP has Tourist offices at various places in Punjab which are responsible for providing information service to tourists, tourism promotion and marketing in their respective areas.

#### Formations:-

Tourism Development Corporation Punjab (TDCP)

Sr. No.	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	1	1	481.84	346.29
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects (FAP)	-	-	-	-

### **Classified Summary of Audit Observations**

Audit observations amounting to Rs 54.401 million were raised as a result of this audit. This amount also includes recoverable of Rs 8.828 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

<b>Sr. No.</b>	<b>Classification</b>	<b>Amount (Rs in million)</b>
1.	Non-production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	7.760
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	42.483
5.	Other	4.158

### 13.1.1 Tourism Development Corporation of Punjab Limited (TDCP)

#### Introduction

Tourism Development Corporation of Punjab Limited (TDCP) is under the administrative control of Tourism & Resort Development Department. TDCP was established on December 10, 1986 as a Public Sector Company under the Companies Ordinance 1984. The objective of the company is to promote tourism in the province. The company has Patriata chair lift and cable car system at Murree, tourism resorts and tourism information centers

#### 13.1.2 Comments on Audited Accounts

13.1.2.1 The working results of the Corporation for the year 2019-20 as compared to previous years are as follows:-

(Rs in millions)

	2019-20	% Inc/ (Dec)	2018-19	% Inc/ (Dec)	2017-18
<b>INCOME</b>					
Chairlift & Safari Train	176.068	(40)	291.912	17	250.561
Rest house and tourist resorts	37.959	(22)	48.633	5	46.428
Institute of Tourism and Hotel Management	9.226	(26)	12.465	32	9.425
School tourism, city tours, Recreation facilities (Hiran Minar water sports), Drag race / jeep rally and amortization of Government grants, Income from sponsorship, Income from tourist Bus	47.738	(16)	57.128	18	48.54
Others	60.423	(10)	66.883	(19)	82.494
<b>Total Income</b>	<b>331.414</b>	<b>(31)</b>	<b>477.021</b>	<b>9</b>	<b>437.448</b>
Direct Expenses	273.122	(11)	307.436	5	294.112
<b>Gross Profit / (Loss)</b>	<b>58.292</b>	<b>(66)</b>	<b>169.585</b>	<b>18</b>	<b>143.336</b>
<b>EXPENDITURE</b>					
Admn& general expenses	134.252	1	133.009	(0)	133.593
Publicity & Promotion	65.341	8	60.377	26	47.848
Development and feasibility study expenses	1.42	(89)	13.358	191	4.592
<b>General, Admin, Promotion &amp; Marketing expenses</b>	<b>201.013</b>	<b>(3)</b>	<b>206.744</b>	<b>11</b>	<b>186.033</b>
<b>Operating Profit / (Loss)</b>	<b>(142.72)</b>	<b>284</b>	<b>(37.159)</b>	<b>(13)</b>	<b>(42.697)</b>

Other Operational income	14.873	7	13.882	28	10.872
Financial charges	(0.057)	(55)	(0.127)	57	(0.081)
<b>Profit / (Loss) for the year before tax</b>	(127.91)	447	(23.404)	(27)	(31.906)
Taxation	7.644	87	4.081	(2)	4.168
<b>Profit/(loss) for the year after tax</b>	<b>(135.55)</b>	393	<b>(27.485)</b>	(24)	<b>(36.074)</b>

(Source: Annual Audited Accounts)

The above table indicated that income of the company decreased to Rs 331.414 million in 2019-20 from Rs 477.021 million in 2018-19 which needs justification with full facts and figures. Specially Income from Institute of Tourism & Hotel Management decreased by 26% i.e. from Rs 12.465 million in 2018-19 to Rs 9.226 million in 2019-20. The reasons for huge decrease in income need to be clarified.

**13.1.2.2** Company suffered huge losses from Rs 37.159 million (2018-19) to Rs 142.72 million (2019-20) due to retention of unnecessary staff. Salaries, wages and other benefits of direct and administrative staff is Rs 267.169 million which becomes 81% of total income Rs 331.414 million in the year 2019-20 which needs justification with full facts and figures.

**13.1.2.3** As per note-9, trade and other payables increased two times from Rs 26.228 million (2018-19) to Rs 75.347 million which needs clarification.

**13.1.2.4** As per note-19, retention of cash in hand Rs 3.356 million during the year 2019-20 requires justification with full facts and figures.

**13.1.2.5** The management submitted unsigned accounts of the Corporation even after lapse of considerable period. Management is stressed to explain the reasons for such delay and get the accounts approved by competent authority at the earliest.

### 13.1.3 Compliance of PAC Directives

Sr. No.	Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance
1	1985-86 to 1986-87	8	8	-	100%
2	1987-88	8	6	2	75%
3	1988-89 to 1989-90	32	32	-	100%
4	1990-91	18	15	3	83%
5	1991-92	8	8	-	100%
6	1992-93	13	12	1	92%
7	1993-94	6	6	-	100%
8	1994-95	5	1	4	20%
9	1995-96 to 1997-98	11	11	-	100%
10	1998-99	5	2	3	40%
11	1999-00	3	1	2	33%
12	2000-01	2	2	-	100%
13	2001-02	3	2	1	67%
14	2006-07	4	4	-	100%
15	2009-10	12	6	6	50%
<b>Total</b>		<b>138</b>	<b>116</b>	<b>22</b>	<b>84%</b>

The overall compliance with PAC directives in the Youth Affairs, Sports, Archaeology and Tourism Department was 84%, which needs to be improved.

### 13.1.4 Audit Paras

#### *13.1.4.1 Incurred expenditure on publicity and advertisement without tender and payment made without physical existence of material - Rs 2.586 million*

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

As per Rule 5 (5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, especially with respect to handling of public funds.

During audit of Tourism Development Corporation of Punjab Lahore for the year 2019-20, it was observed that management arranged Cholistan Jeep Rally 2020 from 13th to 16th February, 2020. For the purpose of publicity of the said jeep rally management procured different publicity and printing material i.e. banners, flags, wooden panel, iron frame, flexes etc. from different suppliers in two months valuing Rs 2.586 million.

Management procured publicity material during two months in piecemeal and failed to obtain competitive rates as per requirement of PPRA Rules. Further, the physical existence of material was not ensured before payment as the management should take on charge in the stock register of said material then issues to the concerned.

Audit was of the view that management should have published tender for publicity as the entire requirement is only for one event i.e. Cholistan Jeep Rally 2020 to obtain competitive rates as per requirement of rules.

The matter was reported to the management on December 24, 2020. During SDAC meeting held on January 14, 2021 the management explained that Cholistan Jeep Rally, is one of the biggest and most renowned event of TDCP which happens every year. Preparation for rally is a laborious task and involved consultation of higher level management. This works of Rs 2.50 million comprises different nature of jobs from almost 10 vendors which was spent as per PPRA rules and quotations obtained properly.

The committee after discussing decided to probe the matter by comprising a probe committee under the Chairmanship of GM Admin of TDCP and Deputy Secretary from Secretary Tourism office and a member of Finance Department within 3 days.

Audit recommends compliance of SDAC directives.

***13.1.4.2 i. Irregular Procurement of different items from unregistered firms - Rs 5.174 million***

***ii. Non-deduction of sales tax -Rs 0.823 million***

As per Section 2 (3) of SRO No. 660 (1) 2007 dated June 30, 2007 issued by Ministry of Finance, Economic Affairs Statistics and Revenue, all withholding

agents shall make purchases of taxable goods from a person duly registered under the Sales Tax Act 1990, provided that under unavoidable circumstances and for reasons to be recorded in writing, purchases are made from unregistered person, the withholding agent shall deduct sales tax @ 15% (amended from time to time) of the value of taxable supplies.

During audit of Tourism Development Corporation of Punjab, Lahore for the year 2019-20, it was observed that the management hired the various unregistered firms for procurement of different goods and services. Management hired the services of unregistered firms in usual and did not record any reasons while hiring unregistered firms as required in rules mentioned above. Further, management did not deduct the sales tax while making payment to the firms. Thus management paid Rs 5.174 million to unregistered firms and did not deduct sales tax of Rs 0.823 million.

Audit was of the view that management should have hired the services of registered firms and deduct the sales tax as per rules.

The matter was reported to the management on December 24, 2020. During SDAC meeting held on January 14, 2021 the management explained that TDCP is short listing and pre-qualifying the contractors/vendors, who fulfill all the legal formalities and registered with FBR as NTN and GST. In future, all the procurements will be done from the registered parties/ firms. After detailed discussion committee referred the para to Finance Department for regularization.

Audit recommends compliance of SDAC directives.

***13.1.4.3 Non-recovery of rent of lease out sites and resorts from the clients - Rs 4.670 million***

As per terms & conditions of lease agreements, lease money shall be payable/paid by the lessee on quarterly basis in advance in accordance with schedule.

During audit of Tourism Development Corporation of Punjab (TDCP) for the year 2019-20, it was observed that different lease agreements of places and resorts were signed between TDCP and different lessees. An amount of

Rs 4.670 million was due upto Nov 2020. The lessees did not deposit the rent. Detail is as under:-

Sr. No	TDCP Leased Resort/Stop Over	Name of Lessee	From	To	Amount Due
1	TDCP Public Toilet Patriata	M/s Naseer	15.01.2020	14.01.2021	1,396,554
2	Parking Area Patriata	M/s M Mansha	06.11.2020	15.11.2021	262,167
3	Kallar Kahar Shops	M/S Malik & Co	15.02.2020	14.02.2021	434,730
4	Water Sport Hiran Minar Sheikhpura	M/s M Mansha	01.01.2020	31.12.2020	1,441,924
5	TDCP Resort Kot Mithan	Mr. Fakhar Ullah Khan	27.10.2020	26.10.2021	189,579
6	Chiniot Stop Over	Muhammad Nadeem	28.02.2020	27.02.2021	944,687
		<b>Total</b>			<b>4,669,641</b>

Audit was of the view that management did not serve legal notice against the defaulter and the management granted undue benefit to the lessees. Thus, TDCP management sustained loss due to non-recovery of advance rent amounting to Rs 4.670 million.

The matter was reported to the management on December 24, 2020. During SDAC meeting held on January 14, 2021 the management explained the committee that due to lock down as a result of Covid-19 lessee of TDCP Resorts/Stopovers were unable to pay the lease money to TDCP as per agreement. The SDAC directed the management to effect the recovery.

Audit recommends compliance of SDAC directives.

***13.1.4.4 Revenue loss on account of closure of cable car due to negligence of the management -Rs 37.813 million***

As per last Non Destructive Test (NDT) report on April 2015 of Manufacturer M/s Doppelmayr, next NDT of Chairlift and Cable car is required in April 2018.

During audit of Tourism Development Corporation of Punjab Lahore for the year 2019-20, it was observed that as per schedule of Annual Inspection and Non-Destructive Test (NDT) for Chairlift & Cable Car System was due to be April 2018 but the case of said work was taken up with M/s Doppelmayr

(Manufacturer), Austria in April 2019. The vendor given time schedule for the job in the month of October & November 2019 vide email dated April 10, 2019.

On June 29, 2019 due to thunder storm at Murree, the cable car was derailed. The complete system remained stopped from June 30, 2019 to July 12, 2019. After satisfactory report received from TDCP Engineers and local inspection firms, TDCP Chairlift portion was opened for general public w.e.f July 13, 2019, whereas, Cable Car System was stopped upto December 14, 2019. Management again contacted with the vendor and the representative of the vendor visited the site on July 25, 2019 and recommended Non Destructive Test (NDT) and replace certain spares of Tower-3.

After lapse of 78 days, On October 11, 2019, management get quotation from M/s Scientific and Engineering Services (SES) Directorate, Islamabad for inspection and testing of Rope of Chair Lift and Cable Car System for Rs 0.938 million. After a further loss of 20 days management approved the Inspection and Testing of Rope of Chairlift & Cable Car System on November 01, 2019. The work was started on November 14, 2019 by M/s SES, Islamabad. The management carried out different tests & other works and the whole work completed within only one month but management has taken five and half months on December 11, 2019. The cable car was opened for the tourists on December 14, 2019. Resultantly Cable Car System was remain closed and TDCP suffered revenue loss of Rs 37.813 million.

Audit was of the view that the above situation shows the negligence and lazy attitude of management. Management is liable to do timely maintenance as per SOP given by the manufacturer. Neither the management cares the human life by avoiding any mishap which occurred on June 29, 2019 and tourists were rescued by the Rescue-1122 with very difficulties due to hilly area nor bother to understand that TDCP depends upon the income of the Patriata Chairlift and Cable Car. Due to this TDCP had sustained substantial loss.

The matter was reported to the management on December 24, 2020, During SDAC meeting held on January 14, 2021, the management explained that no negligence was involved in the operation of Chairlift & Cable Car System. As management has made all decisions keeping in view the public safety. The

representative from TDCP added that maintenance of the project is done regularly and this event was an accident which was beyond human capacity. The SDAC directed to inquire the matter at departmental level and fix responsibility.

Audit recommends compliance of SDAC directives.

***13.1.4.5 Non-deduction of tax on prize money from the winners and Singers - Rs 3.335 million***

According to section 156 (II) of Income Tax Ordinance 2001, the withholding tax shall be collected on the payments on winning from a raffle, lottery, prize on winning a quiz, prize, offered by companies for promotion of sale crossword puzzles the tax rate shall be 20 percent of the gross amount.

During audit of Tourism Development Corporation of Punjab (TDCP) HO Lahore for the years 2019-20, it was found that Cholistan and Thal Jeep Rallies have been organized in order to promote sports and tourism in the country. The winners of Rallies were awarded winning prize without deduction of income tax on prize money. Further, two singers namely Mr. Abrar-ul-Haq and Mr. Attaullah were hired for cultural nights in Jeep Rallies-2019-20 but income tax was not deducted.

The management paid amounting to Rs 16.675 million as prize money to the winners and singers but did not deduct income tax at source-Rs 3.335 million.

Audit was of the view management should have deducted income tax and deposited in government treasury.

The matter was reported to the management on December 24, 2020. During SDAC meeting held on January 14, 2021 the management explained that distribution of prize money was done on the spot so it was difficult for the management to deduct tax and to know about the winners before hand as things were happening live. A letter has been written to all the winners of the Rally and the performers of the Cultural Night. The SDAC directed the management to affect recovery or obtain returns of winners.

Audit recommends compliance of SDAC directives.

### 13.1.4.6 Non-compliance of Corporate Governance Rules

As per clause-3 of Rule-1 of Corporate Governance Rules 2013 “ these rules shall apply to all Public Sector Companies”

During audit of Tourism Development Corporation of Punjab (TDCP) for the year 2019-20, it was observed that the management did not comply with the following Corporate Governance Rules:-

Sr. No.	Rule No.	Requirements of Rules which did not comply with.
1.	5(4)	The Board shall ensure that professional standards and corporate values are in place that promotes integrity for the Board, senior management and other employees in the form of a “Code of Conduct”. The code of conduct shall articulate acceptable and unacceptable behaviors. The Board shall ensure that appropriate steps are taken to communicate throughout the company the code of conduct it sets together with supporting policies and procedures, including posting the same on the company’s website. The Board shall also ensure that adequate systems and controls are in place for the identification and redressal of grievances arising from unethical practices.
2.	5(5) (b)(vi)	the Board shall also develop and implement a policy on “anticorruption” to minimize actual or perceived corruption in the company;
3.	6	The Board shall meet at least once, each quarter of a year, to ensure that it discharges its duties and obligations to shareholders and other stakeholders efficiently and effectively. In case of non-compliance, the same shall be reported to the Commission with reasons of non-compliance, within fourteen days of the end of the quarter in which the meeting should have been held.
4.	8(2)	The Board shall monitor and assess the performance of senior management on a periodic basis, at least once a year, and hold them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.
5.	11	(1)Orientation courses shall be held by a Public Sector Company, to enable directors to better comprehend the specific context in which it operates, including its operations and environment, awareness of Public Sector Company’s values and standards of probity and accountability as well as their duties as directors (2) In order to ensure that the directors are well conversant with the corporate laws and practices, they are encouraged to have certification under an appropriate training or education program offered by any institution, local or foreign. (3) In order to acquaint the Board members with the wider scope of responsibilities concerning the use of public resources, to act in good faith and in the best interests of the Public Sector Company, at least one orientation course shall be arranged annually for the directors and the following information in writing, <i>inter-alia</i> , shall be provided, namely:- (a) Public Sector Company’s aims and objectives; (b) control environment and control activities; (c) key policies and procedures; (d) risk management and internal control framework; (e) background of key personnel, including their job descriptions; (f) delegation of financial and administrative powers; (g) board and staff structure; and (h) budgeting, planning and performance evaluation systems.
6.	12 (1) (a)(b)(d)	(15) The Board shall set up the following committees to support it in performing its functions efficiently, and for seeking assistance in the decision making process, namely (a) audit committee, for an efficient and effective internal and external financial reporting mechanism; (b) risk management committee, in case of Public Sector Companies either in the financial sector or those having assets of five billion rupees or more, to effectively review the risk function; (d) procurement committee, to ensure transparency in procurement transactions

		and in dealing with the suppliers
7.	13(1)	The Board shall appoint a chief financial officer, a company secretary and a chief internal auditor by whatever name called.
8.	21 (1) & (3)	The Board shall establish an audit committee, whose members shall be financially literate and majority of them, including its chairman, shall be Independent Non-Executive Directors, subject to the provisions of sub-rule (2) of rule 12. The names of members of the audit committee shall be disclosed in each annual report of the Public Sector Company. The chief financial officer, the chief internal auditor, and a representative of the external auditors shall attend all meetings of the audit committee at which issues relating to accounts and audit are discussed.
9.	22	There shall be an internal audit function in every Public Sector Company. The chief internal auditor, who is the head of the internal audit function in the Public Sector Company, shall be accountable to the audit committee and have unrestricted access to the audit committee. (2) No person shall be appointed to the position of the chief internal auditor unless he is considered and approved as "fit and proper" for the position by the Audit Committee. No person shall be appointed as the Chief Internal Auditor of a Public Sector Company unless he has five years of relevant audit experience and is a:- (a) member of a recognized body of professional accountants; or (b) certified internal auditor; or (c) certified fraud examiner; or (d) certified internal control auditor; or (e) person holding a master degree in finance from a university recognized by the Higher Education Commission. Provided that individuals serving as chief internal auditor of the Public Sector Company for the last five years at the time of coming into force of these rules shall be exempted from the above qualification requirement. (3) Every Public Sector Company shall ensure that internal audit reports are provided for the review of external auditors. The external auditors shall discuss any major findings in relation to the reports with the audit committee, which shall report matters of significance to the Board. (4) The internal audit function shall have an audit charter, duly approved by the audit committee and shall work, as far as practicable, in accordance with the standards for the professional practice of internal auditors issued by the Institute of Internal Auditors Inc., (the global professional organization of internal audit profession)

Audit was of the view that TDCP was registered under Companies ordinance with SECP and no Public Sector Company is exempted from the compliance on guidelines of Corporate Governance Rule 2013. In the absence of non-compliance of the above rules, it was not possible for the Board to perform its functions efficiently and effectively.

The matter was reported to the management on December 24, 2020. During SDAC meeting held on January 14, 2021 the management explained that the agenda item for formation of committees as per code of corporate governance rules will be placed before BoD in its upcoming meeting and other requirements of code of corporate governance will also be fulfilled in consultation with BoD. The SDAC directed the management to arrange compliance.

Audit recommends compliance of SDAC directives.

## Chapter-14

### Transport Department

#### 14.1 Introduction

Transport Department was established in 1987, earlier it was a Cell in the S&GAD under the supervision of the Additional Chief Secretary Government of the Punjab. The establishment of Transport Department is headed by Secretary (BS-20) with Two Additional Secretaries, three Deputy Secretaries and six Section officers. Vision of transport department is to provide Citizen-centric, Sustainable & Growth Oriented Integrated Transport System.

Functions of Transport Department are:

- Legislation, transport policy and planning.
- Plan, design, operate, regulate and establish Mass transit system in the province
- Route Permits, fare/freights, matters relating to traffic speeds, loading, parking and halting places, exemption cases of vehicles under Motor Vehicles Ordinance and Rules Grouping of stage carriages.
- Inspection and checking of Public Service Vehicles.
- Payment of compensation in accident cases of Private/Public sectors and allied matters.
- Policy regarding student's concession and Nationalization of Road Transport.

#### Formation:-

- Lahore Transport Company (LTC)
- Punjab Road Transport Corporation (Defunct)

Sr. No.	Description	Total Nos	Audited	Expenditure audited FY 2019-20 (Rs in million)	Revenue/Receipt audited FY 2019-20 (Rs in million)
1	Formations	1	1		
2	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
3	Foreign Aided Projects	-	-	-	-

### **Classified Summary of Audit Observations**

Audit observations amounting to Rs 54.401 million were raised as a result of this audit. This amount also includes recoverable of Rs 8.828 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:-

<b>Sr. No.</b>	<b>Classification</b>	<b>Amount (Rs in million)</b>
1.	Non-production of record	-
2.	Reported cases of fraud/Embezzlement and Misappropriation	-
3.	Irregularities	-
a.	HR/employees related irregularities	-
b.	Procurement related irregularities	-
c.	Management of Accounts with Commercial Banks	-
4.	Value for money and service delivery issues	-
5.	Other	-

**Audit was not conducted but audit comments of Lahore Transport Company were included in the report.**

## 14.1.1 Lahore Transport Company (LTC)

### Introduction

Lahore Transport Company (LTC) was established under the Provincial Motor Vehicles Ordinance (Amendment) Act 2009 as an Urban Transport Company under Section 42 of Companies Ordinance 1984 (Now companies Act 2017). LTC has been tasked with ensuring a smooth running of transport system in Lahore and providing the public a safe, efficient and affordable transport service. LTC is expected to be a self-sustaining organization of the Government of Punjab.

### 14.1.2 Comments on Audited Accounts

14.1.2.2 The working results of the Company for the year 2019-20 as compared to previous years were as here under:

(Rs in million)

	2019-20	% Inc /(Dec)	2018-19	% Inc /(Dec)	2017-18
<b>Income</b>					
Grants	109.047	(19.38)	135.268	(26)	184.014
Other income	201.305	9.69	183.518	39	132.237
<b>Total</b>	<b>310.352</b>	<b>(2.65)</b>	<b>318.803</b>	<b>1</b>	<b>316.251</b>
<b>Expenditure</b>					
Salaries & allowances	256.874	1.41	253.312	3	246.093
Legal and professional	5.467	7.60	5.081	5	4.829
Rent, utilities & fuel	23.897	(10.36)	26.66	10	24.128
Advertisement	0.706	(0.42)	1.211	(51)	2.493
Financial charges	6.882	(41.70)	0.227	15	0.198
Other expenses	36.184	(6.01)	38.498	4	37.156
<b>Total</b>	<b>330.01</b>	<b>1.54</b>	<b>324.989</b>	<b>3</b>	<b>314.897</b>
Surplus/(deficit) for the year	(19.658)	317.78	(6.186)	-	1.354

(Source: Initialed Accounts)

The continuous trend of losses from Rs 6.186 million 2018-19 to Rs 19.658 million 2019-20 was noticed, which has put to question the company's going concern. Reasons for increase in losses may be explained and efforts be made to convert losses into profit.

14.1.2.3 Income of company under various heads decreased 53.6% from Rs 38.703 million to Rs 17.952 million, 48.6% from Rs 16.051 million to

Rs 8.245 million, 69.8% from Rs. 10.11 million to Rs 3.050 million and 78% from Rs 3.538 million to Rs 0.778 million under the heads Depot Rent, Rout permit Processing fee, membership fee and E-ticketing revenue respectively. Reasons for decrease may be justified.

**14.1.2.4** Under head Other Income Rs 8.384 million has been recovered during 2018-19 through penalties/ other deduction from operators, which comes to zero in 2019-20. This indicated that either the operations were stopped or vigilance on operations was not effective, needs justification.

**14.1.2.5** Cash and Bank balances in savings accounts increased 69% from Rs 6.127 million in 2018-19 to Rs 9.459 million in 2019-20. The cash at bank is required to be maintained as per working capital requirement and remaining amount may be invested in shape of short term investment. Non-placing of funds in short term investment needs justification.

**14.1.2.6** An amount of Rs 20.332 million shown under head Tax refunds due from the Government at the end of year 2018-19, which could not be adjusted till the end of 2019-20. Aging of this amount alongwith reasons for non-refund/adjustment of the tax amount since long be explained.

**14.1.2.7** Unutilized subsidy balances received from Government worth Rs 63.750 million and Rs 6.303 million under head capital subsidy and refurbishment subsidy respectively were lying since long. Reasons for non-utilization of these subsidies be justified and the same may be returned to Government alongwith interest earned on these subsidies.

**14.1.2.8** Trade debts of company increased 85% from Rs 3.648 in 2018-19 to Rs 6.816 million in 2019-20, which was very high and showed poor receivable management, which needs justification.

### **14.1.3 Compliance of PAC Directives**

PAC meetings for the years 2014-15 to 2019-20 were convened.

## **ANNEXES**



## MFDAC PARAS

The Director General, Commercial Audit & Evaluation, Islamabad on behalf of the Auditor General of Pakistan, conducted the Audit of Public Sector Companies, Government of the Punjab, which maintain their accounts on commercial pattern.

As a result of audit conducted during 2019-20, various types of financial irregularities and losses of public money, etc., were detected and reported to the administrative departments concerned. Out of them 139 audit paras involving Rs 83,936.222 million on irregularities/losses and malpractices pertaining to various Public Sector Companies have been printed in this report, while 107 paras (Rs 21,227.320 million) of comparatively less importance were left for pursuance through Departmental Accounts Committee as detailed below:-

S #	Subject	Rs in million
<b>Energy Department</b>		
<b>Punjab Power Development Company Limited</b>		
1.	Loss to the company due to Auxiliary Consumption in power generation beyond permissible limit	13.500
2.	Non imposition of penalty on employee for water theft and payment of salary despite transfer of same to PPMU	0.525
3.	Lapse of funds lying in the Assignment Account	7.500
4.	Non-appointment of Chief Internal Auditor (CIA)	-
5.	Unauthorized transfer of Assets to other bodies	2.059
6.	Non-appointment of Chief Executive Officer of the Company	-
7.	Imposition of penalty due to non-payment of loan installments to Government of Punjab.	7.459
8.	Underpaid insurance charges by NEPRA	68.573
<b>Punjab Thermal Power (Pvt.) Limited (PTPL)</b>		
9.	Irregular provision of medical facility over and above entitlement.	1.428
10.	Non receiving the assets from EPC contractor	3.878
11.	Unjustified increase in lender's consultant fee and charges	48.817
12.	Exchange rate fluctuation loss resulted due to unjustified delay in invoice processing	99.627
<b>Quaid-e-Azam Thermal Power Company Limited</b>		
13.	Loss due to non-Recovery of Fuel cost from EPC contractor on account of unsuccessful tests	635.517
14.	Loss due to non-Recovery from EPC contractor on account of per month	262.500

	fixed Mobilization fee Paid for additional months to O & M Contractor.	
15.	Excess payment on account of SBLC cost	64.117
16.	Payment on account of Income Tax to O & M Contractor without ensuring fulfillment of FBR Conditions.	299.778
<b>Higher Education Department</b>		
<b>Punjab Education Endowment Fund (PEEF)</b>		
17.	Irregular payment to the vendors on account of printing & stationery in violation of Punjab Procurement Rules	4.816
18.	Wasteful expenditure on account of salary and benefits/ compensation survey - Rs 1.500 million Irregular/ unjustified payment on account of salary survey to the second lowest bidder (M/s EY Ford Rhods) in violation of PP Rules - Rs 1.250 million	2.750
19.	Irregular and unjustified award of civil work and releases of payment without ensuring fulfillment of codal formalities	1.880
<b>Industries, Commerce &amp; Investment Department</b>		
<b>Punjab Industrial Estate Development &amp; Management Company (PIEDMC)</b>		
20.	Irregular appointment of officers from armed forces	44.813
21.	Irregular/non transparent appointment of employees without open competition	17.077
22.	Unjustified hiring of Assistant Officer Special Project	1.380
23.	Irregular procurement of vehicles.	6.482
24.	Irregular hiring of legal advisor without approval of the law & parliamentary affairs department.	2.385
25.	Non recovery of liquidated damages due to delay in completion and termination of contract.	3.06
26.	Irregular placement of funds in TDRs	265.00
27.	Infructuous expenditure incurred on the feasibility/design of multipurpose Industrial Complex & Chenab Estate	2.876
28.	Irregular & unjustified payment of fuel allowance to BoM SIE employees	4.893
29.	Non conduct of physical verification of assets	109.243
<b>Punjab Small Industries Corporation (PSIC)</b>		
30.	Non production of Record	
31.	In-fructuous expenditure on non-viable Artisan Projects Recurring loss to the government from Artisan Projects.	357.15
32.	Non availability of compensated items in the accounts of PSIC Regional office Gujranwala	11.368
33.	Non recovery of cost of land from allottees of SIE-IV Gujranwala and SIE-Wazirabad as per PC-I	361.320
34.	Non-possession of SIE-Gujrat land despite lapse of 26 years Non utilization of fund for the development of Gujrat estates	27.125
<b>Labour and Human Resource Department</b>		

<b>Punjab Employees Social Security Institution (PESSI)</b>		
35.	Purchase of medicines without confirmation of rates from government hospital and without DTL	22.596
36.	Irregular hiring of necessary staff on retainer ship basis in violation of fundamental rights.	12.285
37.	Irregular hiring of office building for City Directorate Office	6.629
38.	Purchase of medicines on the recommendation of Doctors in violation of PPRA Rules	41.234
39.	Irregular appointment of Advisory Consultant without fulfilling the requirements of PPRA	3.104
40.	Loss to government due to non-referring the MRI Tests to government hospitals instead of hiring private parties -	19.950
41.	Unjustified release of payment without deduction of cost of workers referred to PESSI Hospitals by PSSHMC. Non-verifying/auditing the accounts of the PSSHMC	93.130
42.	Extremely under-utilization of PESSI Islamabad Hospital and huge per patient cost	-
43.	Expected loss due to non-reconciliation of medicine in Islamabad Social Security Hospital.	3.752
44.	Non-transparent hiring of internet services from M/s Linkdotnet	5.794
45.	Irregular filling the vacant posts in violation of PESSI Ordinance	-
46.	Non registration and licensing of PESSI Dispensaries/medical centers from Punjab Healthcare and expected imposition of fines Non registration caused additional registration fee	67.600
47.	Failure of hospitals in getting regular licenses from PHC	-
48.	Non-recovery of arrear from M/s Sialkot Grammar School	6.932
49.	Non recovery of outstanding due from M/s EMCO Industries Lahore.	23.410
50.	Outsourcing of testing facility to M/s Labone which was available in attached hospital of PESSI at exorbitant rates	30.906
<b>Local Government&amp; Community Development Department</b>		
<b>Lahore Parking Company</b>		
51.	Irregular payment of rent due to irregular hiring of office premises	24.034
52.	Loss due to less collection of sale revenue as against the excessive sites expenses	1.338
53.	Unjustified expenditure on account of staff salaries on sites without collecting any parking charges	25.399
54.	Unjustified payment of office rent of un-required space amounting to - Rs 5.373 million	5.373
55.	Non-recovery of fraudulent/excessive payment from the defaulter suppliers - Rs 0.814 million	0.814
56.	Unjustified expenditure on managerial tasks perform by hiring advocate/legal consultant.	1.188
<b>Planning and Development Department</b>		
<b>Engineering Consultancy Services Punjab (ECSP)</b>		

57.	Irregular appointment of staff in violation of advertised criteria.	3.336
58.	Irregular payment of insurance premium to private insurance firm.	2.768
59.	Irregular and unjustified hiring of the sub-consultants.	26.363
60.	Irregular appointment of legal advisors.	0.880
<b>Punjab Skills Development Fund (PSDF)</b>		
61.	Irregular appointment of the employee in violation of advertised criteria.	1.300
62.	Undue favour to ineligible training service provider by selecting against the eligibility criteria.	145.943
63.	Irregular payment on account of bid evaluation and gap assessment study.	34.656
64.	Irregular expenditure on hiring of office building without any competitive process	13.615
65.	Irregular hiring of ineligible tsp due to poor bid evaluation	2,298.176
66.	Irregular continuation of contract with defaulter TSPs.	742.908
67.	Loss due to non-verification of job placement of trainees.	459.635
68.	Loss due to irregular payment to training service providers on account of registration of non-eligible trainees.	13.800
<b>Primary and Secondary Healthcare Department</b>		
<b>Punjab Health Facilities Management Company (PHFMC)</b>		
69.	Irregular appointment/ posting of pharmacist without sanctioned post and performing of duties as store keeper.	1.967
70.	Irregular payment of leave encashment to employees.	5.566
71.	Irregular hiring of legal advisors.	4.779
72.	Irregular expenditure on hiring of office building.	9.930
73.	Loss of markup income due to irregular placement of funds in current account	179.30
74.	Irregular placement of funds in TDRs and loss of markup income.	1,700.808
75.	Irregular opening of bank account.	227.164
76.	Unlawful medical practice due to failure in obtaining PHC license	-
77.	Irregular procurement of air conditioners without approval of austerity committee.	3.872
78.	Ineffectiveness of internal audit and wasteful expenditure on salary.	16.075
79.	Non conduct of physical verification of assets.	109.243
<b>School Education Department</b>		
<b>Punjab Education Initiatives Management Authority</b>		
80.	Issuance of monthly payments to licensees without imparting required trainings to teachers.	2,295.734
81.	Unjustified higher payments to the licensees during summer vacations	51.502
82.	Wasteful expenditure due to poor performance of PEIMA and non-achievement of objectives.	250.218
83.	Blockage of funds due to unnecessary procurement of assets.	5.154
<b>Specialized Healthcare &amp; Medical Education Department</b>		
<b>Punjab Health Initiative Management Company</b>		
84.	Unjustified payment of insurance premium against meager health	3,215.369

	facilitation services.	
85.	Avoidable and wasteful expenditure incurred for outsourcing of services	1.40
<b>Punjab Health Foundation</b>		
86.	Payment of TA/ DA bills in violation of Punjab Travelling Allowance Rules 2008	4.345
87.	Unjustified expenditure on renovation of PHF building. Irregular enhancement of scope of renovation work.	16.879
88.	Irregular disbursement of loan without obtaining audited income & expenditure statement from doctors.	7.500
89.	Irregular reimbursement of medical charges.	1.653
90.	Non finalization of Internal Audit by M/s Rehman Sarfraz Rahim Iqbal Rafiq Chartered Accountants.	1.200
91.	Irregular procurement of 30 KVA Diesel Generator – Rs 2.021 million	2.021
<b>Technical Education and Vocational Training Authority</b>		
<b>Technical Education and Vocational Training Authority (TEVTA)</b>		
92.	Irregular and excessive expenditure incurred in 2nd shift classes	3.819
93.	Non completion and reconciliation of expenditure incurred on different projects started many years ago	2,496.083
94.	Disbursement of interest free loan to non TEVTA pass out graduate by M/s Akhuwat	13.750
95.	Non surrender of excess withdrawal of funds to the Government	460.231
96.	Loss due to missing items of labs and fixtures of Government College of Technology, Rajanpur.	1.652
97.	Non achievement of prime objectives due to non-appointment of staff in various TEVTA Institutes despite incurring capital cost.	1,799.669
98.	Non-providing 689 loan applications forms of disbursed loan by M/s Akhuwat to third party validation.	36.020
99.	Doubtful payment of interest free loan by M/s Akhuwat.	9.816
100.	Irregular payment of services charges to M/s Akhuwat.	4.640
101.	Non recovery non-adjustment of advances on account of loan to TEVTA Service Centres and withholding tax.	593.325
<b>Tourism Department</b>		
<b>Tourism Development Corporation of Punjab Limited (TDCP)</b>		
102.	Doubtful disbursement of salary to the daily wages staff.	36.400
103.	Irregular payment of leave encashment to the employees.	4.197
104.	Unjustified payment of advances to the employees without adjusting previous advances and loss of interest.	4.811
105.	Wasteful expenditure incurred on food, pay & allowances, fuel, electricity and lease rent of Charehan Rest House.	1.303
106.	Non conduction of physical verification of assets.	777.554
107.	Non verification of degrees/certificate of officers/officials.	
	<b>Total</b>	<b>21,227.320</b>

### NON-SUBMISSION OF ACCOUNTS

The organizations listed below failed to submit their annual audited accounts to the Directorate General of Commercial Audit and Evaluation, Islamabad by the prescribed date of December 31, 2020, despite issuance of letters and subsequent reminders. Non-submission of accounts needs to be explained. Efforts may be made to prepare and provide the required accounts at the earliest.

Sr.#	Name of Department/Entity	Year of Account
<b>School Education Department</b>		
1.	Punjab Teachers Foundation	2017-18 to 2019-20
2.	Punjab Education Foundation	2017-18 to 2019-20
3.	Punjab Education Initiative Management Authority	2016-17 to 2019-20
4.	Punjab Curriculum and Textbook Board	2017-18 to 2019-20
<b>Excise and Taxation Department</b>		
5.	Government Opium Alkaloid Factory, Lahore	2012-13 to 2019-20
<b>Energy Department</b>		
6.	Punjab Power Development Company Ltd	2016-17 to 2019-20
7.	Punjab Thermal Power Limited	2016-17 to 2019-20
8.	Quaid-e- Azam Solar Power Ltd	2019-20
<b>Specialized Healthcare and Medical Education Department</b>		
9.	Punjab Health Foundation	2014-15 to 2019-20
10.	Government Medical Store Depot, Lahore (Defunct)	2015-16 to 2019-20
<b>Housing, Urban Development and Public Health Engineering</b>		
11.	Punjab Saaf Pani Company (South)	2016-17 to 2019-20
12.	Punjab Saaf Pani Company (North)	2016-17 to 2019-20
13.	Punjab Land Development Company	2019-20
<b>Industries, Commerce &amp; Investment Department</b>		
14.	Faisalabad Industrial Estate Development and Management Company	2015-16 to 2019-20
15.	Punjab Industrial Estate Development and Management Company	2015-6 to 2019-20
16.	Punjab Government Printing Press, Lahore	2007-08 to 2019-20
17.	Punjab Government Printing Press, Bahawalpur	2015-16 to 2019-20
18.	Punjab Small Industries Corporation	2013-14 to 2019-20
19.	Punjab Industrial Development Board (Defunct)	2019-20

<b>Irrigation Department</b>		
20.	Mughal Pura Irrigation Workshop	2011-12 to 2019-20
21.	Inland Water Transport Development Company	2011-12 to 2019-20
<b>Labour and Human Resource Department</b>		
22.	Punjab Employees Social Security Institution	2012-13 to 2019-20
23.	Punjab Employees Social Security Health Management Co.	2016-17 to 2019-20
<b>Livestock and Dairy Development Department</b>		
24.	Punjab Livestock & Dairy Development Board	2015-16 to 2019-20
25.	Punjab Agriculture Meat Company	2016-17 to 2019-20
<b>Local Government and Community Development</b>		
26.	Lahore Parking company	2015-16 to 2019-20
27.	Faisalabad Parking company	2017-18 to 2019-20
28.	Punjab Rural Support Company	2018-19 to 2019-20
<b>Mines and Minerals Department</b>		
29.	Punjab Mineral Development Corporation	2018-19 to 2019-20
<b>Planning and Development Department</b>		
30.	Punjab Information Technology Board	2017-18 to 2019-20
31.	Urban Sector Planning & Management Services Unit (Pvt.) Ltd.	2018-19 to 2019-20
32.	Engineering Consultancy Services Punjab (Pvt.) Ltd	2013-14 to 2019-20
33.	Punjab Skill Development Fund	2019-20
<b>Social Welfare, Women Development and Bait ul Maal Department</b>		
34.	Punjab Bait-ul-Maal	2017-18 to 2019-20
<b>Technical Education and Vocational Training Authority, Lahore</b>		
35.	Technical Education and Vocational Training Authority	2017-18 to 2019-20
<b>Transport Department</b>		
36.	Punjab Road Transport Corporation (Defunct)	2016-17 to 2019-20
<b>Population Welfare Department</b>		
37.	Punjab Population Innovation Fund	2016-17 to 2019-20
<b>Forestry, Wildlife &amp; Fisheries Department</b>		
38.	South Punjab Forest Company	2018-19 to 2019-20
<b>Special Education Department</b>		
39.	Punjab Fund for Rehabilitation for Special Persons	2019-20
<b>Agricultural Department</b>		
40.	Punjab Bio Energy	2019-20

**Annex-3****RECOVERIES MADE AT THE INSTANCE OF AUDIT**

During the year 2020-21 audit of the accounts for the year 2019-20 of Public Sector Enterprises of Government of Punjab was conducted and results thereof, pinpointing various type of financial irregularities and losses of public money were communicated to Administrative Departments.

In various cases the concerned formations/management while accepting the irregularities made following recoveries:-

<b>Sr. No.</b>	<b>Name of Formation</b>	<b>Brief Particulars of Recoveries</b>	<b>Amount recovered at the instance of audit (Rs in million)</b>
<b>Labour and Human Resource Department</b>			
1	PESSI	Non recovery of arrear from defaulting employers as land revenue-Rs 64.956 million	10.692
2	PESSI	Non recovery of Social Security Contribution due to dishonor of cheques -Rs 76.062 million	30.758
<b>Planning &amp; Development Department</b>			
3	ECSP	Non termination of contracts despite delayed payments-Rs 902.994 million	15.873
<b>Specialized Healthcare and Medical Education Department</b>			
4	PHIMC	Irregular appointment and payment of market based salaries to Government Servant-Rs 4.200 million	3.514
<b>Industries, Commerce &amp; Investment Department</b>			
5	PIEDMC	Infructuous expenditure incurred on the feasibility/design of multipurpose industrial complex and Chanab Estates. 4.776 million	1.900
6	PIEDMC	Loss due to non-encashment of (defective) Bank guarantee Rs 1.156 million	1.156
<b>Technical Education and Vocational Training Authority</b>			
7	TEVTA	Non recovery of outstanding balances from various parties – Rs 37.617 million	7.26
		<b>Total</b>	<b>71.153</b>

**Annex-4****(Sectorial Analysis)****Department wise categorization of compliance with rules****(A-Good, B-Moderate & C-Non Compliant)**

<b>Sr. No.</b>	<b>Department</b>	<b>Internal Control</b>	<b>Financial Management</b>	<b>Business Development</b>
1	Energy	C	C	C
2	Higher Education	B	B	-
3	Industries, Commerce and Investment	C	B	-
4	Labour & Human Resource	B	B	B
5	Local Government & Community Development	B	B	-
6	Planning & Development	B	B	-
7	Primary & Secondary Health Care	B	B	-
8	School Education	B	C	B
9	Specialized Health Care & Medical Education	B	B	B
10	TEVTA	B	B	B
11	Tourism & Archeology	B	B	B

**Annex-5**

**(Sectorial Analysis)**

**Core financial results focusing on their viability and profitability to  
examine sustainability of Departments**

**(Rs in million)**

Sr. No	Department/PAO	Organization	Total Expenditure 2018-19 & 2019-20	Revenue Receipts 2018-19 & 2019-20	Profit/ (Loss)	Profit to Loss Ratio (%age)	Sustainable / Not sustainable
0	1	2	3	4	5	6 (5/4*100)	7
1	Energy Department	PTPL, QATPL & PPDCI	67,937.53	76,345.72	8,408.20	11	Sustainable
2	Higher Education	PEEF	2,321.16	2,879.56	558.40	19	Sustainable
3	Industries Commerce & investment	PIEDMC, PSIC, PBIT	7,376.40	7,465.44	89.04	1	Sustainable
4	Labour & Human Resource	PESSI	9,105.87	14,471.01	5,365.14	37	Sustainable
5	Local Government & Community Development	LPC	187.37	173.38	(14.00)	(8)	Not Sustainable
6	Planning & Development	PSDF & ECSP	3,982.19	4,061.76	79.57	2	Sustainable
7	School Education	PEIMA	3,906.51	3,993.07	86.56	2	Sustainable
8	Specialized Healthcare and Medical Education	PHIMC & PHF	7,565.89	7,740.21	174.31	2	Sustainable
9	TEVTA	TEVTA	10,732.03	9,635.84	(1,096.19)	(11)	Not Sustainable
10	Tourism & Archaeology	TDCP	481.84	346.29	(135.55)	(39)	Not Sustainable
11	Primary & Secondary Healthcare	PHFMC	4,883.45	4,992.75	109.31	2	Sustainable
	<b>Total</b>		<b>118,483.24</b>	<b>132,109.03</b>	<b>13,624.80</b>	<b>10</b>	<b>Sustainable</b>

**Annex-5 (a)**

**(Sectorial Analysis)**

**Core financial results focusing on their viability and profitability to examine sustainability of Organizations**

**(Rs in million)**

Sr. No	Department/PAO	Organization	Total Expenditure	Revenue Receipts	Profit/ (Loss)	Profit to Loss Ratio (%age)	Sustainable
0	1	2	3	4	5	6 (5/4*100)	7
1	Energy Department	Punjab Thermal Power Company	426.72	1,028.20	601.48	58	Sustainable
2	Energy Department	Quaid-e-Azam Thermal Power Company	65,146.60	71,175.31	6,028.71	8	Sustainable
3	Energy Department	Punjab Power Development Company	259.87	368.44	108.58	29	Sustainable
4	Higher Education	Punjab Education Endowment Fund	2,321.16	2,879.56	558.40	19	Sustainable
5	Industries Commerce & Investment	Punjab Industrial Estate Development and Management Company	6,105.73	6,330.63	224.90	4	Sustainable
6	Industries Commerce & Investment	Punjab Small Industries Corporation	1,270.67	1,134.81	(135.85)	(12)	Not Sustainable
7	Industries Commerce & investment	Punjab Board of Investment & Trade	118.44	122.99	4.56	4	Sustainable
8	Labour & Human Resource	Punjab Employees Social Security Institution	9,105.87	14,471.01	5,365.14	37	Sustainable
9	Local Government & Community Development	Lahore Parking Company	187.37	173.38	(14.00)	(8)	Not Sustainable
10	Planning & Development	Punjab Skills Development Fund	3,355.77	3,397.08	41.31	1	Sustainable
11	Planning & Development	Engineering Consultancy Services Punjab	70.887	137.97	67.08	49	Sustainable
12	School Education	Punjab Education	3,906.51	3,993.07	86.56	2	Sustainable

		Initiative Management Authority					
13	Specialized Healthcare and Medical Education	Punjab Health Initiative Management Company	7,437.35	7,434.17	(3.18)	(0)	Not Sustainable
14	Specialized Healthcare and Medical Education	Punjab Health Foundation	68.82	75.64	6.82	9	Sustainable
15	TEVTA	TEVTA	8,292.46	743.17	(7,549.29)	(1,016)	Not Sustainable
16	Tourism & Archaeology	Tourism Development Corporation of Punjab	368.42	273.74	(94.68)	(35)	Not Sustainable
17	Primary & Secondary Healthcare	Punjab Health Facilities Management Company	3,687.00	5,510.00	1,823.00	33	Sustainable
	<b>Total</b>		<b>112,129.64</b>	<b>119,249.16</b>	<b>7,119.53</b>	<b>6</b>	Sustainable

**Annex-5 (b)**

**(Sectorial Analysis)**

**Major areas of risk and irregularities identified during audit are summarized as under. Details of each entity has been discussed in relevant chapter of each Department**

**(Rs in million)**

Department	Non production of record	Report cases of Fraud Embezzlement & Misappropriation	HR/ Employees related Irregularities	Procurement related irregularities	Management of Accounts with commercial banks	Value for Money Service Delivery Issue	Others	Total
Energy	-	105.050	432.459	9,256.062	1,670.230	30,027.693	38,745.488	<b>80,236.982</b>
Higher Edu	-	-	4.431	7.946	-	1.500	3.665	<b>17.542</b>
Industries	-	-	128.810	925.376	366.142	552.326	1,374.935	<b>3,347.589</b>
Lab & HR	-	-	12.285	71.250	-	41.182	728.308	<b>853.025</b>
Local Govt.	-	-	-	-	-	5.373	27.247	<b>32.620</b>
P&D	-	-	96.040	2,694.194	-	1,388.490	3,575.059	<b>7,753.783</b>
Sch Edu	-	-	-	-	10.285	2,853.372	418.215	<b>3,281.872</b>
SHC&ME	-	-	-	12.959	241.019	7.227	5,005.955	<b>5,267.160</b>
TEVTA	-	-	80.498	283.538	216.840	43.194	2,190.602	<b>2,814.672</b>
Tsm&Arc	-	-	51.645	8.660	-	187.283	150.495	<b>398.083</b>
P&SHC	-	-	16.763	801.786	407.272	28.519	60.737	<b>1,315.077</b>
<b>Total</b>	-	<b>105.05</b>	<b>148.906</b>	<b>1106.943</b>	<b>407.272</b>	<b>35,136.159</b>	<b>52,280.706</b>	<b>105,318.405</b>

**Annex-6**

**4.1.4.3 Excess payment of salary to employees due to irregular fixation  
–Rs 24.570 million**

<b>Sr. No.</b>	<b>Name of Employee &amp; designation</b>	<b>Grades</b>	<b>Salary Drawn</b>	<b>Maximum salary as per HR manual</b>	<b>Excess salary drawn per month</b>	<b>No. of month served on increased salary</b>	<b>Total excess salary paid</b>
1	M. Fareedullah, CIA	11	408,375	400,000	8,375	02	16,750
2	Iftikhar Hussain, CFO	11	465,850	400,000	65,850	20	1,317,000
3	Ijaz Azeem, GM	11	440,779	400,000	40,779	11	448,569
4	Imran Bhambhro, GM	11	426,667	400,000	26,667	13	346,671
5	Umar Saeed, GM	10	375,887	250,000	125,887	24	3,021,288
6	Muhammad Fareed Ahmad, Chief Engineer	10	363,050	250,000	113,050	12	1,356,600
7	Khizar Hayat, Chief Engineer	10	324,045	250,000	74,045	3	222,135
			356,449	250,000	106,449	21	2,235,429
8	Zafar Alam, Manager	9	224,849	200,000	24,849	24	596,376
9	Ahmed Ali, Manager	9	270,637	200,000	70,637	24	1,695,288
10	Shair Muhammad, PD	9	247,161	200,000	47,161	2	94,322
11	Abdul Majid, PD	9	213,509	200,000	13,509	24	324,216
12	Muhammad Nouman Rafique, Manager	9	335,439	200,000	135,439	24	3,250,536
13	Zafar Mahmood, Manager	9	200,417	200,000	417	24	10,008
14	Muhammad Tanveer, Manager	9	209,633	200,000	9,633	24	231,192
15	Khawaja Muhammad Zaman, Manager	9	210,032	200,000	10,032	24	240,768
16	Amina Faisal, Manager	9	218,333	200,000	18,333	20	366,660
			250,222	200,000	50,222	1	50,222
			275,000	200,000	75,000	2	150,000
			328,226	200,000	128,226	1	128,226
17	Ali Ahmed Khan,	9	210,464	200,000	10,464	24	251,136

	Manager						
18	Muhammad Munir, Dy. Manager	8	174,694	150,000	24,694	24	592,656
19	Muhammad Shafi, Dy. Manager	8	207,678	150,000	57,678	24	1,384,272
20	Ayesha Afzal, Dy. Manager	8	156,272	150,000	6,272	24	150,528
21	Shafiq Ur Rehman, Dy. Manager	8	156,272	150,000	6,272	24	150,528
22	Raheel Safdar, Dy. Manager	8	152,460	150,000	2,460	24	59,040
23	Syed Turab Haider, Dy. Manager	8	158,813	150,000	8,813	24	211,512
24	Muhammed Asghar, Quantity Surveyor	5	87,957	75,000	12,957	24	310,968
25	Muhammad Amar, Sub Engineer	5	144,018	75,000	69,018	24	1,656,432
26	Ghulam Haider, Sub Engineer	5	107,173	75,000	32,173	24	772,152
27	Ghulam Ghous, Sub Engineer	5	128,016	75,000	53,016	24	1,272,384
28	Muhammad Amar, Sub Engineer	5	144,018	75,000	69,018	24	1,656,432
						<b>Total</b>	<b>24,570,296</b>