



**AUDIT REPORT
ON
THE ACCOUNTS OF
DEFENCE SERVICES
AUDIT YEAR 2017-18**

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ACAS	Assistant Chief Air Staff
ACE	Additional Chief Engineer
AFDP	Armed Forces Development Project
AFNS	Armed Forces Nursing Services
AGE	Assistant Garrison Engineer
AGP	Auditor-General of Pakistan
AHQ	Air Headquarters
AMF	Aircraft Manufacturing Factory
ARV	Annual Rental Value
ASC	Army Services Corps
ASRF	Advance System Rebuild Factory
ASID	Army Stores Inspection Depot
ATG	Annual Training Grant
BA (Fee)	Building Application Fee
BG	Bank Guarantee
BMP Dte	Budget Marketing and Procurement Directorate
BTS	Base Trans receiver Station
BTU	British Thermal Unit
BOO	Board of Officers
AWACS	Air Borne Warning and Control System
AOC	Air Officer Commanding
CBI	Cash Book Item
CBR	Cantonment Board Resolution
CCMA	Chief Controller of Military Accounts
CD	Contract Deed
CDS	Central Division Stock
CDR	Cash Deposit Receipt
CFA	Competent Financial Authority
CLAR	Cantonment Lands Administration Rules
CLS	Chief of Logistic Staff
CMA	Controller of Military Accounts
CMES	Commander Military Engineer Services
CEO	Cantonment Executive Officer

CIMLA	Cantonment Institute of Municipal and Land Administration
CMH	Combined Military Hospital
CNE	Civilian Non-Entitled
CAN	Controller of Naval Accounts
COD	Central Ordnance Depot
COMSAT	College of Management Science and Technology
COMLOG	Commander Logistics
COMPAK	Commander Pakistan
CP Dte	Civilian Personnel Directorate
CRV	Certified Receipt Voucher
DAC	Departmental Accounts Committee
DBA	Director Budget Accounts
DCNS	Deputy Chief of Naval Staff
DCI	Defence Complex Islamabad
DG DP	Directorate General Defence Purchase
DGMP	Director General Munition Production
DGP (Army)	Directorate General Procurement (Army)
DG RV&F	Director General Remount Veterinary and Farms
DGW&CE	Director General Works & Chief Engineer
DHA	Defence Housing Authority
DOHS	Defence Officers Housing Scheme
DSAS 2000	Defence Services Accommodation Scales 2000
DW&CE	Director Works & Chief Engineer
DMA	Daily Messing Allowance
DP (Air / Navy)	Directorate Procurement (Air / Navy)
DP	Draft Para
DSR	Defence Services Regulations
EDO	Executive District Officer
EME	Electrical and Mechanical Engineering
E-in-C	Engineer in Chief
ESD	Engineering Stores Depot
FA	Financial Advisor
FAM	Financial Audit Manual
FBR	Federal Board of Revenue
FIA	Federal Investigation Agency

FOB	Free on Board
FOR	Free on Rail
FR	Financial Regulations
GE	Garrison Engineer
GFR	General Financial Rule
GHQ	General Headquarters
HEC	Higher Education Commission
HIT	Heavy Industries Taxila
HRF	Heavy Rebuilt Factory
HQ SC	Head Quarter Southern Command
HSR	Hospital Stoppage Receipts
KCB	Karachi Cantonment Board
IE&I	Institute of Electronics and Instruments
INTOSAI	International Organization of Supreme Audit Institutions
ISPR	Inter Services Public Relations
IT	Invitation of Tender
JCOs	Junior Commissioned Officers
JSHQ	Joint Staff Headquarters
JSI	Joint Services Instruction
KARF	Kamra Avionics and Radar Factory
LC	Letter of Credit / Local Currency
LD	Liquidated Damages
LS	Logistic Support
LP	Local Purchase
LUMS	Lahore University of Management and Sciences
MAG	Military Accountant General
MEO	Military Estate Office
MES	Military Engineering Services
MFDAC	Memorandum for Departmental Accounts Committee
MH	Military Hospital
MIS	Management Information System
ML&C	Military Lands and Cantonments
MOL	Memorandum of Law
MoD	Ministry of Defence
MoDP	Ministry of Defence Production
MOQs	Married Officer Quarters

MRF	Mirage Rebuild Factory
NAB	National Accountability Bureau
NHQ	Naval Headquarters
NOC	No Objection Certificate
NIV	Not in Vocabulary
NLC	National Logistics Cell
NLI	Northern Light Infantry
NUST	National University of Science and Technology
PAC	Pakistan Aeronautical Complex
PA Dte	Personnel Administration Directorate
PAF	Pakistan Air Force
PAO	Principal Accounting Officer
PBG	Performance Bank Guarantee
PESCO	Peshawar Electric Supply Company
PNS	Pakistan Navy Ship
PPRA	Public Procurement Regulatory Authority
PTDC	Pakistan Tourism and Development Corporation
QMG	Quarter Master General
RHQ	Regional Headquarter
R&E	Risk and Expense
RV&F	Remount Veterinary and Farms
SAR	Special Audit Report
SMA	Special Messing Allowance
SOP	Standing Operating Procedure
SRO	Statutory Regularity Order
STA	Special Transfer Account
TESCO	Tribal Electric Supply Company
TIP	Transfer of Immovable Property
TO&E	Table of Organization and Equipment
UA	Unit Accountant
UNRA	United Nations Reimbursement Account
WAPDA	Water and Power Development Authority
WTI	Walton Training Institute

Preface

Articles 169 and 170 of the Constitution of Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor-General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of accounts of the Federation and the accounts of any authority or body established by the Federation.

Audit Report 2017-18 is based on Audit of receipts and expenditure of the Defence Services, working under Ministry of Defence and Ministry of Defence Production, for the Financial Year 2016-17. The Directorates General Audit Defence Services (North and South) conducted Audit of the accounts of Defence Services during 2017-18 on test check basis with an objective to reporting significant findings to the relevant stake holders. The main body of the Audit Report contains systemic issues observed by audit during inspection of accounts of selected units. Significant audit paras carrying value of Rs. 1 million or more have been included in the report. Less significant draft paras are listed in the Annexures-I & II of this Report for pursuance at DAC level. However, all cases where appropriate action is not forthcoming from the relevant Ministry, the Audit observation will be reported to the Public Accounts Committee through the next year's Audit Report.

The Audit findings emphasize need for adherence to regularity framework besides institutionalizing internal controls to avoid recurrence of similar irregularities.

Over 800 draft paras on accounts of 2016-17 have been discussed in DAC meetings in both the Ministries. Only selected paras requiring further action have been included in this Report.

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

(Javaid Jehangir)

Auditor General of Pakistan

Islamabad

Dated: - -2018

Executive Summary

The Directorates General of Audit Defence Services (North and South) are Field Audit Offices (FAOs) of the Department of Auditor-General of Pakistan responsible for conducting the audit of budgetary grants of Defence Services (except Pakistan Ordnance Factories), administered by Ministry of Defence (MoD) and Ministry of Defence Production (MoDP). Audit of accounts of other allocations made to Defence Services like Special Transfer Account, United Nations Reimbursement Account and Defence Pension is also conducted by these FAOs. Moreover, audit of the Federal Government Education Institutions (FGEI) which work under the Ministry of Defence but their budget allocation is in civil grant is also mandated to these FAOs. Audit of Cantonment Boards, Frontier Works Organization (FWO) and Military Lands are also under the audit purview of these offices.

The jurisdiction of Directorates General Audit Defence Services (North & South) has been made on geographical basis. The two Directorates conducted audit of 320 formations of MoD and 23 formations of MoDP during the audit year 2017-18.

This Report highlights systemic issues like use of military lands, violation of PPRA rules, classification of residential accommodation, recoverable dues in Cantonment Boards, departures from codal procedure, disregard to delegated financial powers and contractual deviations.

DAC directives as reflected in minutes of the meetings held to discuss these audit paras have been incorporated in text of each para of this report.

a. Scope and objectives of Audit

Out of total expenditure of the Federal Government for the financial year 2016-17, auditable expenditure under the jurisdiction of Directorates General Audit Defence Services (North and South) was Rs. 886.336 billion¹ covering 02 PAOs and 3882 entities. Out of this,

¹ This figure does not contain budget of Al-Mizan/AFDP/UNRA/Pension/FGEIs/CBs/FWO

Directorates General Audit Defence Services (North and South) audited an expenditure of Rs. 126.462 billion which, in terms of percentage, is 14% of the auditable expenditure. In addition, these FAOs conducted performance audit of 01 project and also carried out 04 special audit studies. Reports of the same are in process separately.

Overall audit objective was to assess compliance with financial rules, accountal of receipts, examination of propriety, economy of expenditure, obedience to regulation, adequacy of internal controls and review of internal audit.

b. Recoveries at the instance of audit

Through audit paras, recovery of Rs. 82.507 billion was pointed out, out of which recovery of Rs. 23.642 billion was accepted by the management. However, a sum of Rs. 1.213 billion and US \$ 0.866 million was recovered upto the time of compilation of report. The remaining recovery remains outstanding at the time of issue of this Report and updated position will be brought to the notice of PAC during discussion on the relevant paras.

c. Audit Methodology

The activities, workflows, procedures and internal controls of audited organizations were reviewed for identifying risk areas of irregularities for devising strategy for audit scrutiny. Remaining within available resources, audit was conducted on test-check basis with emphasis on risk areas of high monetary value prone to irregularities. Budget allocation, actual expenditure and account reconciliation of each audited unit was assessed as far as possible within the system in vogue because system-based spending-level detailed head-wise allocation as documented on civil side is not available to audit on this side.

d. Audit Impact

As a result of consistent pointing out of the following issues, the executive agreed to revise following policy matters: -

- i) Audit has emphasized that classification of residential accommodation by the three services as MOQs is not in line with

the government policy as contained in the instructions of Ministry of Housing and Works and leads to full payment of house rent allowance to allottees resulting in double benefit to them. Audit has disagreed to MAG's interpretation on this subject. The MoD has decided to revise this policy.

- ii) Audit has raised innumerable paras on use of military land, its rent and deposit to the government. A revised policy covering these issues is now under active consideration.
- iii) Implementation of PPRA rules has been subject of risk attraction for audit scrutiny. The auditee is now taking holistic steps to implement these rules in letter and spirit.
- iv) Expenditure out of budget other than regular Defence grant has been commented upon by audit with intent to persuade the executive to use it as per government policy and instructions specific to these additional funds. Expenditure out of Al-mizan has been persistently questioned during present as well as previous audits. The executive has now agreed to revise policy to this effect and also to take steps to regularize existing cases of departures as reported by audit.
- v) Relevancy of expenditure out of UNRA has been area of audit interest in last few years. The executive has now conceded that UNRA implementation policy will be revised and reported cases of deviation will be regularized.
- vi) With instructions from the Services HQs, steps to improve working and output of field audit committees have been taken.
- vii) Regular DACs and swift follow-up is now a matter of routine in MoD and MODP. This has enhanced audit outcome and its impact.

e. Comments on Financial and Accounting Management

The final grant No. 26 pertaining to Ministry of Defence for financial year 2016-17 was Rs. 887,511.952 million against which expenditure of Rs. 886,336.270 million was incurred. Thus, showing an overall saving of Rs. 1,175.682 million. It is pertinent

to mention here that Defence Audit also audits all other expenditure made by its auditees out of funds made available through other sources for AFDP, UNRA, Defence Pension, Aid to civil power, Election duty, FWO accounts, Civil grant of Defence managed organizations, Defence revenues, etc.

f. Comments on Internal Controls and Internal Audit

- i. An elaborate structure comprising rules, regulations and procedures specifying internal checks regarding procurements, HR payments, inventory management and receipts is available in entities under MoD, MoDP and MAG. An Internal Audit Department (Controller Local Audit, Defence Services) also exists to conduct internal audit at unit level. Moreover, another office under MAG namely Controller Local Audit (Defence Production) has been established in order to cater for internal audit of organizations such as FWO, SCO, PAC, HIT, POF, DGDP, DGMP, etc. However, despite existing arrangement, recurrence of irregularities was observed which indicates need for strengthening of internal audit qualitatively.
- ii. There is no internal audit structure available in Military Lands and Cantonments.
- iii. CMA wise budget allocation is not made. Moreover, detailed head wise spending level budget is not made for all heads. Centralization of budget leaves administrative and monitoring lacunas.
- iv. System based in-availability of data, unlike civil audit side, is a handicap for Defence audit.
- v. Pre-audit by MAG is restricted to central purchase in case of PAF and PAC. Hence, there is a need to substantially increase scope and extent of Internal and external audit for these organizations.
- vi. IT implementations are being made incrementally in all the three services. However, there is need for all the three services to take up the issue with the Auditor General of Pakistan for review of

forms and procedure so that revised SOPs could take effect comprehensively and seamlessly.

- vii. Internal controls on databases such as payroll master data, inventory, pension etc. as well as internal audit including IT audit is required to be established.
- viii. Reconciliation of unit-wise expenditure with the account office is not in practice and accounting data compiled by account office is taken as authentic for further action. Reconciliation at all levels need to be introduced and strengthened.
- ix. Reconciliation of MAG data with the State Bank is delayed by months because cheques are received via AGs which consumes months. And hence monthly data of payments is unreconciled from cash flow point of view of the same month.
- x. Defence receipt via NBPs is unreconciled and unverified because no authentic direct information from AG/FTO is available to MAG.
- xi. Public account master data as well as transactional data is too spread out and unreconciled.
- xii. Decentralization of data management by the MAG to CMAs needs to be reviewed for quality assurance before finalization.
- xiii. System based transfer of accounting data from CMAs to MAG for consolidation and reporting, is presently on parallel run with the paper centric legacy system of punching media. An authentic quality control system at CMA, MAG and CLA levels should be in place before full abandonment of legacy system.
- xiv. Formal conveying of sanction of expenditure with full particulars of each transaction along with details of budget, entity and authority to CMA concerned should be put in place in the whole Defence Services in line with civil practices.
- xv. Consolidation of payments to reduce number of cheques in CMAs lacks maturity, wherever the same has been done in departure of usual workflow of PMAD.

g. The key audit findings of the report

- i. Irregular/Unauthorized Expenditure of Rs. 17,239.898 million and US \$ 39.000 million in 31 cases²
- ii. Recoverables of Rs. 11,134.252 million and US \$ 1.970 million in 72 cases³
- iii. Loss to State valuing Rs. 4,133.305 million and US \$ 5.500 Million in 20 cases⁴
- iv. Mis-procurement of Stores of Rs. 2,328.793 million in 09 cases⁵
- v. Weak Internal Controls of Rs. 25.161 million in 02 cases⁶
- vi. Non-production of Auditable Record of Rs. 140.867 million in 01 case⁷

h. Recommendations

- (i) Serious irregularities in procurement contracts have been noticed. Public Procurement Rules, 2004 are needed to be observed. Existing departmental rules which are inconsistent with the PP Rules should be amended accordingly.
- (ii) Policy issued by the Government for expenditure out of allocation for Al-Mizan was not being followed and funds were being incurred on works not covered under the policy. PAO should take necessary steps to follow Government policy while incurring expenditure from Al-Mizan funds.
- (iii) The unauthorized use of A-I land should be checked limiting its use for the specified purposes only. The income earned from the use of

² 1.3, 1.8, 1.11, 1.15, 2.3

³ 1.4, 1.9, 1.12, 1.16, 2.4

⁴ 1.5, 1.10, 1.13, 2.5

⁵ 1.6, 1.14, 2.6

⁶ 1.12

⁷ 1.7

A-I land should be made transparent, disclosed in the public accounts and provided to Audit for scrutiny.

- (iv) The management needs to take steps to recover large amounts of Government dues pointed out in this report and fix responsibility thereof.
- (v) An internal audit wing comprising qualified officers and staff should be institutionalized in Military Lands and Cantonments Department to mitigate the risk of irregularities.
- (vi) Policy regarding payment of HRA to Armed Forces officers availing facilities of non-standard Government accommodation be formulated expeditiously and implemented after vetting from Ministry of Housing and Works and Finance Division. House rent allowance should not be paid to all those individuals who reside in military accommodation irrespective of its classification as MOQs or else.
- (vii) The scope of Corps Audit Committees at services HQs should be made more effective to fix responsibilities for violation of rules and to take remedial measures to avoid recurrence of irregularities.
- (viii) The PAO should issue instructions to produce the auditable documents to the audit teams during Audit to avoid the reported cases of non-production of auditable record in future.
- (ix) MoD and MODP should take up cases with the Auditor General of Pakistan for approval of revised forms and procedures adopted as a result of automation by the three services and other Defence entities.
- (x) Monthly account reconciliation between executive and account office should be made at entity level to authenticate budget and account figures.
- (xi) CMA wise budget should be allocated for budgetary controls at each transaction level.
- (xii) Reconciliation between CMA and SBP figures should be made on monthly basis.

Summary Tables & Charts

Table-1: Audit Work Statistics

(Rs. in Million)

Sr #	Description	No	Budget/ Expenditure	
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction	2	Budget	887,511.952
2	Total formations in audit jurisdiction	3,882	Exp	886,336.270
3	Total Entities (Ministries/PAOs) audited	2	126,462.552	
4	Total Formations audited	343		
5	Audit and Inspection Reports (LTAR)	343		
6	Special Audit Reports	04	NA	
7	Performance Audit Reports	1	NA	
8	Other Reports	-	-	

Table-2: Audit Observations by Categories

(Rs in Million)

S #	Description	Amount placed under Audit Observation
1	Unsound asset management	45,311.117
2	Weak financial management	66,280.429
3	Weak internal controls	40,639.169
4	Others	20,135.378
Total		172,366.322

Table-3: Outcome Statistics

(Rs. in Million)

Sr #	Description	Expenditure on acquiring Physical Assets	Civil Works	Others	Receipts	Total current year	Total last year
1	Outlays Audited	35,990.44	46,601.48	38,824.191	5,167.405	126,461.834	306,794.88
2	Amount under Audit observation	35,716.13	77,007.34	37,150.532	25,398.698	172,366.385	166,311.710
3	Recoverables pointed out by Audit	26,746.02	26,928.47	14,821.947	59,078.327	82,507.106	54,010.500
4	Recoverables accepted	9,350.20	8,719.40	4,279.825	12,237.23	23,641.949	19,111.336
5	Recoverables realized	1.742	1.490	1,195.103 +US\$.0886	15.151	1,213.486 + US \$ 0.866	1,153.615 + US \$ 0.110

Table-4: Irregularities Pointed Out

(Rs. in Million)

S #	Description	Amount under Audit Observation
1	Violation of rules and regulations as well as principle of propriety and probity	100,903.663
2	Cases of fraud, embezzlement, thefts and misuse of public resources	725.686
3	Misclassification of expenditure and receipts.	176.686
4	Weaknesses of internal control system	6,433.149
5	Established recoverable and overpayments, or misappropriation of public money	20,913.794
6	Non-production of record	23,967.119
7	Others, including cases of accidental loss, negligence etc.	19,246.296
Total		172,366.322

Table-5: Cost-Benefit Analysis

(Rs. in Million)

S #	Description	Amount
1	Outlays audited (Item 1 of Table 3)	126,461.834
2	Expenditure on audit	295.526
3	Recoverable realized at the instance of audit	1,213.486 + US \$ 0.866
4	Cost - Benefit Ratio	4:1

CHAPTER-1

Ministry of Defence

1.1 Introduction

Ministry of Defence (MoD) deals with all policy and administrative matters pertaining to the three armed forces, defence treaties, defence agreements and military assistance to foreign countries. MoD also administers Inter Services Organizations, Pakistan Military Accounts Department, Military Lands and Cantonments and Federal Government Educational Institutions in Cantonments and Garrisons.

1.2 Brief comments on the status of compliance with PAC's directives

The status of compliance of Public Accounts Committee (PAC) directives for the Audit Reports from 1985-86 to 2016-17 discussed during its various meetings held from July, 1992 to December, 2017 is given below:-

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance awaited / Non Complied	Percentage of Compliance
1	2	3	4	5	6
1985-86	76	05	02	03	40%
1986-87	36	06	03	03	50%
1987-88	49	08	01	07	12.5%
1988-89	48	15	03	12	20%
1989-90	69	03	0	03	0%
1990-91	63	04	01	03	25%
1991-92	65	05	0	05	0%
1992-93	91	12	06	06	50%
1993-94	198	83	28	55	34%
1994-95	91	0	0	0	0%
1995-96	102	09	01	08	11%
1996-97	106	104	78	26	75%
1997-98	651	05	0	05	0%
1998-99	762	33	0	33	0%

1999-00	443	222	78	144	35%
2000-01	699	85	34	51	12.21%
2001-02	570	12	0	12	0%
2002-03	166	17	05	12	29.41%
2003-04	111	21	03	18	14.29%
2004-05	55	55	34	21	61%
2005-06	138	121	73	48	60%
2006-07	95	35	13	22	37%
2007-08	56	40	05	35	12.05%
2008-09	39	18	0	18	0%
2009-10	84	19	01	18	5.26%
2010-11	Report yet not discussed				
2011-12	Report yet not discussed				
2012-13	Report yet not discussed				
2013-14	19*	16	0	16	0%
2013-14	Not yet discussed by Sub-PAC upto 50 million				
2014-15	Report yet not discussed				
2015-16	Report yet not discussed				
2016-17	Report yet not discussed				
Total	4882	953	369	584	38.71%

Ministry of Defence fully complied with 369 PAC's directives out of 953. The Principal Accounting Officer should take necessary steps to expedite further compliance of PAC's directives.

*** Above 50 million paras discussed by PAC**

Pakistan Army

Audit Paras

1.3 Irregular / Unauthorized expenditure – Rs. 15,329.504 Million

1.3.1 Unauthorized expenditure on works out of Al-Mizan fund – Rs. 10,779.958 Million

As per Para-1(v) of Ministry of Defence letter No. 7/6/2004-05/D-21 (Budget) dated 30th November, 2004, the releases from Special Transfer Account shall be used for procurement of stores and for replenishment of stock.

During audit of the accounts of following (21) Garrison Engineers and Army formations for the years 2015-16 and 2016-17, it was revealed that contracts valuing Rs. 10,779.958 million were concluded for different types of works and repair of vehicles out of Al-Mizan fund, which were not covered as per above cited Government orders.

(Rs. in million)

S #	DP No.	Name of Unit / Formation	Amount
1	DP-N-284/2016-17	GE (Army) Maint-II, Rawalpindi	12.366
2	DP-N-299/2016-17	GE (Svcs), Gujranwala	33.962
3	DP-N-325/2016-17	GE (Army), Kohat	209.056
4	DP-N-359/2016-17	GE (Army) Svcs, Lahore	212.916
5	DP-N-404/2016-17	GE (Army), Attock	20.580
6	DP-N-413/2016-17	GE (Army) Constn-II, Rawalpindi	269.006
7	DP-N-477/2016-17	501 Central Wrkshp, EME Chk	111.339
8	DP-N-487/2016-17	GE (Army)-II, Okara	14.063
9	DP-N-526/2016-17	GE (Army) Svcs, Okara	104.317
10	DP-N-528/2016-17	GE (Army), Nowshera	5.628
11	DP-N-575/2016-17	GE (Army) GHQ, Rawalpindi	5.825
12	DP-N-597/2016-17	GE (Army)-I, Sialkot	150.040

13	DP-N-666/2016-17	501 Central Workshop, Chaklala	35.228
14	DP-N-20/2017-18	GE (Army) PMA, Kakul	31.618
15	DP-N-32/2017-18	GE (Army) Maint-II, Rawalpindi	2.816
16	DP-N-34/2017-18	CMES Constn, Rawalpindi	86.917
17	DP-N-51/2017-18	ACE (Army) 10 Corps, Chaklala	296.256
18	DP-N-80/2017-18	GE (Army) PMA, Kakul	1,121.753
19	DP-N-81/2017-18	GE (Army) PMA, Kakul	257.577
20	DP-N-82/2017-18	GE (Army) Const-I, Rawalpindi	4,754.695
21	DP-N-84/2017-18	GE (Army) Const-I, Rawalpindi	3,044.000
Total			10,779.958

Audit was of the opinion that incurring of expenditure other than the specified purpose was a violation of Government policy and tantamount to misuse of funds. This shows the weak internal controls on the part of management.

The irregularity was pointed out by Audit during February, 2015 to June, 2017, the executives replied that works were carried out on the basis of funds released by the QMG's Branch GHQ Rawalpindi. The reply was not tenable being contradictory to the Government policy.

The matter was discussed in DAC meetings held in August, 2017 and January, 2018 wherein it was directed to get the irregular expenditure regularized from Ministry of Finance within three months. No further progress was reported to Audit till finalization of this report.

Audit recommends an expeditious implementation of DAC's directive besides fixing of responsibility on the person(s) at fault and its verification by Audit.

1.3.2 Inordinate delay in adjustment of loan released out of QMG fund – Rs. 1,985.168 Million

According to Para-(d) of Government of Pakistan, Ministry of Defence letter No. F-2/19/D-12 (ML&C)/07, dated 3rd March 2007, GHQ QMG's Branch will inform CCMA GHQ and CMA (RC) regarding

the loan taken from QMG's Fund (as indicated in Para-‘c’ above or for undertaking value addition as indicated in Para-2 (k) of Annex-A to Govt. of Pakistan Ministry of Defence letter No. F-1/253/D-3/A-III/2003, dated 30th October, 2003). The sale proceeds received by CMA (RC) Rawalpindi will be first adjusted against the loan taken from QMG's Fund, then the balance amount will be distributed in the ratio of 75:25 between QMG's Fund and Govt's treasury respectively.

During audit of the accounts of QMG's Branch, DCI Project Directorate, Islamabad for the year 2016-17, it was noticed that a sum Rs. 4,815,496,895 was released as loan out of which an amount of Rs. 2,830,328,411 has been adjusted. But a huge amount of Rs. 1,985,168,484 was still outstanding for adjustment into QMG Fund Account. Inordinate delay in recovery of loan released out of QMG Fund needed adjustment.

Audit was of the opinion that inordinate delay in adjustment of loan released out of QMG Fund shows weak financial management.

The irregularity was pointed out by Audit in May, 2016, the executive replied that as soon as loan was recouped, audit authorities will be apprised accordingly.

The DAC in its meeting held in August, 2017 directed to get the amount of recovered loan verified from Audit. No further progress was reported to audit till finalization of this report.

Audit recommends an early adjustment of amount of loan and its verification by Audit.

DP-N-399/2016-17

1.3.3 Un-authorized sanction of residential accommodation under para-17 of DSR – Rs. 959.937 Million

According to Para-17(a)(c) of Defence Services Regulations for MES-1998, “unexpected circumstance may arise which make it imperative to short circuit from normal procedure. Such

circumstances may arise from operational military necessity or on urgent medical grounds when reference to the appropriate CFA would entail dangerous delay. If such circumstance arise, any of the authorities detailed in Table-A may order the commencement of a work by functioning in order 'writing' to the engineer office concerned and forwarding immediately and a copy of his order to superior engineer authority with his reasons for giving the orders and the engineer officer's estimates of the liability incurred. In all cases which may arise above the earliest possible steps must be taken to regularise matters by normal action contemplated by these Regulations".

During audit of the accounts of following (03) MES Army formations for the year 2015-16 it was observed that an amount of Rs. 959.937 million was expended on different residential works under para-17 of DSR which was not covered under the conditions of Para-17 being a residential work, therefore, total expenditure incurred stood as unauthorized and needed regularization.

(Rs. in Million)

S No.	DP No.	Name of Unit / Formation	Name of work	Amount
1	DP-N-414/2016-17	GE (Army) Const-II, Rawalpindi	Construction of 24 x D-type flats (G+3) Block No. 1, 2 & 3 at Rawalpindi	197.653
2	DP-N-416/2016-17	GE (Army), Kohat	Construction of E type Flats, Block A, B, C & D at Hangu Road Kohat	195.593
3	DP-N-448/2016-17	GE (Army) Const-I, Rawalpindi	Construction of officer flats (G+7) 4 x Block CSD Rawalpindi	566.691
Total				959.937

Audit was of the view that expenditure was incurred in contravention of Government rules which shows weak internal controls on the part of the management.

The irregularity was pointed out by Audit in July, 2016, the executives replied that due to shortage of officers' accommodation in

Rawalpindi and ongoing war against terrorism, the families of troops deployed in operations were to be accommodated on priority. Therefore, the construction of officers' accommodation was sanctioned under Para-17 to facilitate the families of officers posted in operational area. Project Estimates for construction of Para-17 works have been forwarded to ACE (A) 11 Corps for technical check and onward submission to higher authorities for regularization of expenditure.

The replies were not satisfactory as Para-17 of DSR-1998 was meant for operational military necessity or urgent medical grounds whereas the sanction was accorded for construction of residential buildings which was against the rules and needed regularization.

The matter was discussed in DAC meeting held in August, 2017 wherein it was directed to get regularized the works sanctioned under para-17 from the competent Financial Authority within three months. No further progress was reported to audit till finalization of this report.

Audit stresses for an expeditious implementation of DAC's directives regarding regularization of expenditure besides fixing of responsibility on the person(s) at fault and its verification by Audit.

1.3.4 Un-authorized occupation of military farm land by 23 Div Jhelum – Rs. 356.904 Million

Under Rule-14 (3) of Cantonment Land Administration (CLA) Rules 1937, Land in class "A" shall not be used or occupied for any purpose other than those stated in Sub Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf.

During audit of the accounts of Military Farm, Jhelum for the year 2014-15, it was revealed that land measuring 75 Acres 5 Kanals and 15 Marlas was occupied by 23 Div Jhelum since 1996 without Government approval. This land was meant for fodder production for farm animals. Due to un-authorized occupation of Military Farm Land, Military

Farm, Jhelum had sustained a loss of Rs. 356,903,600 which needed recovery.

Audit was of the view that un-authorized occupation of land resulted in loss to public exchequer which shows misuse of authority.

The irregularity was pointed out by Audit in October, 2015, the executive replied that the case was under reference with higher authorities.

The DAC in its meeting held in August, 2017 directed to get regularize the un-authorized occupation of military farm land within three months. No further progress was reported to audit till finalization of this report.

Audit stresses for an expeditious implementation of DAC's directive regarding regularization action and its verification by Audit.

DP-N-334/2016-17

1.3.5 Un-authorized utilization of funds out of UN-Reimbursement Account – Rs. 295.087 Million

According to provision of Government of Pakistan, Ministry of Defence letter No. 7/7/2004/05/D-21(Budget) dated 27th November, 2004, expenditure out of UNRA could be utilized for: -

- (a) Purchase and replenishment of equipment and stores for Army contingents deployed on UN peace keeping missions.
- (b) Pay and allowances and transportation of troops.
- (c) Incidental and misc expenditure of Army contingents directly related to UN peace keeping mission.

Further, as per amendment made by the Ministry of Defence letter dated 7th March, 2009, expenditure can be incurred on projects approved by the Chief of Army Staff and concurred by the Finance Secretary on case to case basis.

During audit of the accounts of following (08) MES formations for the year 2014-15, it was observed that an amount of Rs. 295.087 million was expended on different works out of UNRA without financial concurrence from Secretary Finance on case to case basis in violation of above Government orders.

(Rs. in million)

S #	DP No.	Name of Unit / Formation	Amount
1	DP-N-285/2016-17	GE (Army) Maint-II, Rawalpindi	8.115
2	DP-N-361/2016-17	GE (Army) Svcs, Rawalpindi	8.359
3	DP-N-364/2016-17	DW&CE (DCI), Islamabad	8.488
4	DP-N-415/2016-17	GE (Army) Constn-II, Rawalpindi	16.933
5	DP-N-453/2016-17	GE (Army)-II, Rawalpindi	6.710
6	DP-N-459/2016-17	GE (Army), Mangla	10.403
7	DP-N-468/2016-17	GE (Army), Abbottabad	19.169
8	DP-N-527/2016-17	GE (Army), Nowshera	216.910
Total			295.087

Audit was of the opinion that incurring of expenditure other than the specified purpose without approval of competent authority was tantamount to misuse of funds and shows weak financial management on the part of the executive.

The irregularity was pointed out by Audit in February, 2015, the executive replied that job was sanctioned by the GHQ, QMG's Br (Qtg & Land Dte) and MES was bound to execute the work as per orders of Competent Financial Authority. The reply was not acceptable. Unauthorized expenditure needed regularization from Government of Pakistan.

The matter was discussed in DAC meeting held in August, 2017, wherein it was directed to regularize irregular expenditure out of UNRA Fund from Ministry of Finance within three months. No further progress was reported to audit till finalization of this report.

Audit recommends for an early regularization and its verification by Audit besides fixing responsibility on person(s) at fault.

1.3.6 Irregular release of payment without delivery of stores – Rs. 138.463 Million

Under Rule-47(e)(5), “the unexpended portion of any existing grant shall lapse on 30th June of each year. It is irregular to draw a sum of money for any purpose during the currency of one financial year and expend or bring it to account in a subsequent year”.

During scrutiny of the record held with Central Ordnance Depot, Rawalpindi for the year 2015-16, it was observed that Certified Receipt Voucher for contracted quantity of 14747 sleeping bags amounting to Rs. 138,463,269 @ Rs. 9,389.25 each was issued on 2nd June, 2016 without actual delivery of stores and payment was released to the supplier before 30th June, 2016. However, stores were actually not delivered even till February, 2017.

Audit was of the view that fictitious CRV was issued to avoid the lapse of funds which was tantamount to misuse of public fund and shows weak internal controls on the part of management.

The irregularity was pointed out by Audit in February, 2017, the executive accepted that CRV was issued in advance to avoid lapse of funds.

The DAC in its meeting held in January, 2018 directed that Fact Finding Inquiry be conducted and action be completed within one month and produced to audit for verification. No further progress was reported to Audit till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault and its verification by Audit.

DP-N-678/2016-17

1.3.7 Un-authorized purchase of electro medical equipment – Rs. 52.800 Million

According to Para-87(a) of Financial Regulations Volume-I 1986, “all contracts, agreements, understandings, etc, entered into by an

officer with commercial or non-Government concerns shall be recorded in writing and a copy thereof, signed by both contracting parties, will be carefully filed”.

Further, section-40 of the Public Procurement Regulatory Authority – 2004 provides that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

During audit of the accounts of CMH Sargodha, it was revealed that electro medical equipment valuing Rs. 52.800 million was purchased out of Al-Mizan fund during the year 2015-16. In the particular case, contracts were not made with the bidders. Further, the hospital authority negotiated price with the bidder in violation of above rules.

Audit was of the view that incurring of expenditure in violation of PPRA Rules and non-conclusion of contracts exhibits weak financial and internal controls on the part of management.

The irregularity was pointed out by Audit in November, 2016, the executive replied that omission was regretted. Further, the negotiations were made in order to safeguard the interest of the state.

The DAC in its meeting held in August, 2017 directed that such instances may not be repeated in future. The DAC also directed that special study on the purchase of such stores may be carried out by audit through a letter from MoD to GHQ. No further progress was reported to Audit till finalization of this report.

Audit stresses for an early implementation of the DAC’s directive besides fixing of responsibility against person(s) at fault and special study by Audit.

DP-N-567/2016-17

1.3.8 Irregular/unauthorized purchase of electro medical equipment – Rs. 10.287 Million

According to T.O & E, dated 28th May, 2010 of C.M.H, Chunian Cantt “No Electro Medical Equipment is authorized” and

according to Rule-12(2) of PPRA 2004, “all procurement opportunities over two million rupees should be advertised on the authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”.

During audit of the accounts of C.M.H, Chunian Cantt for the year 2015-16, it was revealed that a sum of Rs. 10.287 million (Rs. 8.000 million + Rs. 2.867 million) was allotted to hospital for purchase of electro medical equipment and tender notice was published in only one newspaper instead of two widely circulated newspapers in violation of PPRA Rules. Moreover, the electro medical equipments were not authorized in the TO&E of the hospital.

Audit was of the opinion that total expenditure of Rs. 10,286,700 was incurred in violation of rules which shows weak internal controls.

The irregularity was pointed out by Audit in November, 2016, the executive replied that amended Section–III of TO&E was being forwarded to concerned authorities for approval.

The DAC in its meeting held in August, 2017 directed to hold inquiry, fix responsibility, take disciplinary action against the responsible and get violation of PPRA Rule regularized. No further progress was reported to audit till finalization of this report.

Audit stresses for expeditious implementation of DAC’s directives besides provision of approved TO&E and its verification by Audit.

DP-N-544/2016-17

1.3.9 Undue favour to supplier without delivery of stores – Rs. 8.052 Million

As per Para-22 Annexure-E to Rule-42 of Financial Regulation Volume-I 1986, “no advance payment (except in case of Government to Government Contracts) and letter of credit will be

authorized without the concurrence of the Finance Division”. Further as per para-105 of Financial Regulation Volume-I 1986, “unless specially authorized by the government no cash advance should be made to contractors”.

During audit of the accounts of Combined Military Hospital Kharian for the year 2014-15, it was noticed that payment of Rs. 8,052,000 on account of local purchase of Electro Medical Equipment was made to suppliers in the month of May, 2015 without actual delivery of stores.

Audit was of the opinion that advance payment without receipt of stores was tantamount to misuse of public money and shows weak financial and internal controls.

The irregularity was pointed out by Audit in June, 2016 but the management did not reply.

The DAC in its meeting held in August, 2017 directed that such instances may not be repeated in future. The DAC also directed that special study on the purchase of such stores may be carried out by audit through a letter from MoD to GHQ. No further progress was reported to Audit till finalization of this report.

Audit stresses for early implementation of DAC’s directive regarding special audit.

DP-N-322/2016-17

1.3.10 Un-authorized deposit of recovered amount on account of price reduction into DGP (A) Account – Rs. 1.757 Million

According to Para-17 of Defence Purchase Procedure and Instructions – 2017, “the inspector being a specialist will be responsible for inspection of all kind of defence stores indented for purchase and assist the indenter insuring that the terms of contract as to the standard, specification and drawings are strictly complied with, in letter and spirit. Where there be an event of substandard store being supplied involving

price reduction then both the inspector and the service HQr will inform the purchaser for doing so. But the sole responsibility for final rejection/acceptance, and/or deviation of the store will devolve on the inspector”.

During audit of the accounts of Central Ordnance Depot Rawalpindi for the year 2015-16, it was noticed that an amount of Rs. 1,757,362 on account of accumulative Price Reduction (PR) against contract dated 4th May, 2015 for supply of Jersey Mens pullover was recovered and deposited into DGP (Army) Account No. 00224592633 UBL Pvt. Center, Chaklala on 15th November, 2016 instead of Government treasury.

Audit was of the view that diversion of public money into private account indicates weak financial and internal controls on the part of management which caused loss to the state.

The irregularity was pointed out by Audit in February, 2017, the executive replied that as per contract, being a consignee, this Depot was responsible only for receipt of contracted stores. Funds against contract were placed at the disposal of DGP (A) by the indenter. And responsibility of imposing PR amount rests with inspection authority.

The reply was not acceptable because public receipt was not deposited into Government treasury.

The DAC in its meeting held in January, 2018 directed that recovered amount be deposited into Governemnt treasury and got verified from audit within one month. No further progress in the matter was reported to Audit till finalization of this report.

Audit recommends to hold inquiry in the matter and fix responsibility on the person(s) at fault besides expeditious implementation of the DAC’s directives.

DP-N-09/2017-18

1.3.11 Splitting-up of sanctions – Rs. 358.037 Million

According to Table-A of the Para-25 and the Para-389 of DSR 1998, the power of administrative sanction of QMG is upto Rs. 30 million and the contractual powers of E-in-C and DW& CE are Rs. 35 million and Rs. 30 million, respectively. Para-27 of DSR 1998 stipulates that no project will be split up merely it within the powers of an approving authority.

During audit of following formations of Army, for the financial years 2015-16 & 2016-17, it was observed that contracts amounting to Rs. 358.037 million were split in order to avoid sanction of higher authority. The details are as under:

(Rs. in million)

S No	DP No.	Name of Unit / Formation	Amount
1	DP-S-106/2017-18	GE (Army)-I, Malir	129.569
2	DP-S-126/2017-18	GE (Army) Maintenance, Pano Aqil	92.989
3	DP-S-104/2017-18	GE (Army)-II, Quetta	71.578
4	DP-S-163/2017-18	GE (Army)-II, Quetta	63.901
Total			358.037

Audit was of the opinion that splitting up the expenditure was due to weak internal controls within the management.

The irregularity was pointed out by Audit in November 2016 and September 2017. The executive at Sr. No.1 replied that Admin sanction of each work can be issued by QMG. For Sr. No.2, the executive replied that according to approved drawings, each block was a separate project in all respects and was sanctioned by the competent authority. For Sr. No. 3 and 4, the executive replied that different Admin approvals were sanctioned for different type of works and contracts were concluded separately. For Sr. No.5, the executive replied that work was executed after approval from competent authority as Minor Work.

The matter was discussed in the DAC meeting held in January 2018. DAC directed that a reference be sent to MoD's Army Wing for seeking interpretation of Paras 18, 27, 33 & 365 of DSR 1998 read with Rule-19 of F.R Vol-I 1986.

Audit stresses upon regularization of the expenditure by the competent authority.

1.3.12 Unauthorized utilization of Al-Mizan Grant – Rs. 155.512 Million

As per Para-1(V) of MoD letter No. 7/6/2004-05/D-21 (Budget) dated: 30th November, 2004, the releases from “Special Transfer Account” shall be used for replenishment of stores and for procurement and according to Standing Operating Procedures (SOPs) of Al-Mizan Packages 2008 Para-1(a) issued by GHQ Chief of Logistics Staff Secretariat Monitoring and Budget Cell, “this fund is utilized only for the procurement of store/equipment required for the troops deployed in operation Al-Mizan”. Under Para-18b(1)(b) of SOP 2008 issued by GHQ, CLS, Monitoring & Budget Cell, it is laid down that funds allotted for Al-Mizan package can be utilized only for the procurement of stores/equipment required for the troops deployed in operation Al-Mizan.

During audit of GE-I (Army) Quetta, for the financial year 2016-17, it was observed that an amount of Rs. 155.512 million was spent on the constructional works from Al-Mizan fund, in violation of above quoted rule. Funds allotted for Al-Mizan could only be utilized for the procurement of stores/equipment required for the troops deployed in operation Al-Mizan.

Non-observance of laid down rules indicated weak internal controls leading to irregular expenditure.

The irregularity was pointed out by Audit in October 2017. The executive replied that contracts had been concluded on the authority of admin sanctions issued from GHQ duly approved by Ministry of

Defence. The reply was not tenable, as the expenditure was irregular and in contravention of the authority mentioned above.

The matter was discussed in DAC meeting held in January 2018. DAC directed that expenditure out of Al-Mizan be got regularized from the competent authority as per rules.

Audit recommends early regularization of the expenditure from the competent authority.

DP S-239/2017-18

1.3.13 Irregular payments to contractors without physical completion of work – Rs. 151.113 Million

According to Rule-408 to 417 of Defence Services Regulations for MES 1998, there is no provision of advance payment to contractor except secured advance.

During audit of following Army units, for the financial years 2015-16 & 2016-17, it was observed that final payments were made to contractors without physical completion of works as under:

(Rs. in million)

S.No.	Unit/Formation	DP No.	Amount
1	GE (Army) C&SC, Quetta	S-09	90.270
2	GE (Army), Hyderabad	S-276	16.469
3	AGE (Army), Khuzdar	S-20	16.442
4	CMES (Army), Malir	S-308	15.273
5	GE (Army)-II, Quetta	S-34	11.131
6	AGE (Army), Kashmore	S-21	1.528
Total			151.113

Audit held the opinion that final payment to contractor without physical completion of works was tantamount to extending undue financial aid to the contractor.

The irregularity was pointed out by Audit in October 2016 & November 2017. The executive at Sr No.1 replied that funds were allocated by the QMG branch for utilization upto 30th June 2016,

therefore, GE office had no excuse to lapse the funds in question. For Sr. No.2, the executive admitted the irregularity that payments were made to avoid lapse of funds. For Sr. No. 3, 4, 5 & 6, the executive replied that final payment was made after completion of work.

The matter was discussed in DAC meeting held in January 2018. DAC directed that to hold fact-finding inquiry in case at Sr. No. 1,4, 5 & 6 and submit report to Audit. For Sr. No.2, DAC directed for verification of record.

Audit stresses upon early inquiry and action against persons at fault.

1.3.14 Unjustified payment of loan to contractor – Rs. 61.950 Million

According to Rule-47 (e) Financial Regulations (Volume-I) 1986, “careful supervision over expenditure shall be exercised and on no account shall money be spent simply because it is available.

During audit of GE-II (Army) Quetta, for the financial 2016-17, it was observed that an amount of Rs. 61.950 million was paid as loan to the contractor. As per ACE Southern Command letter No. 611-OPD-CMH/400/E-6c dated: 21-12-2016, arrangements were to be made by GE-II Quetta for return of remaining loan of Rs 15.950 million. Following observations were noticed by the Audit:

- i. Government money lent to a contractor as loan was not covered under the rules.
- ii. The loan was given to contractor by ACE Southern Command against improper head of accounts.
- iii. Treasury Receipts (TR), through which recovery was made and deposited into government treasury, were not furnished for verification.

The irregularity was pointed out by Audit in October 2017. The executive replied that the loan for Rs. 61.900 million was taken by the contractor at his own source. The reply was not clear, as ACE Southern

Command had asked for recovery of loan vide letter No. 611-OPD-CMH/400/E-6 dated 21-12-2016.

The matter was discussed in DAC meeting held in January 2018. DAC directed that fact-finding inquiry at the level of DGW&CE (Army) be conducted and report be provided to Audit within 03 months.

Audit recommends early finalization of fact-finding inquiry under intimation to Audit.

DP-S-288/2017-18

1.3.15 Doubtful payment to supplier without supply of items - Rs. 14.000 Million

According to Rule 43 of Equipment Regulations Volume I, the Commanding Officer will ensure that all transactions are brought to account as soon as they occur and that the accounts are always kept accurate and upto-date. The accounts will be subject to Audit check, from time to time, and until these accounts have been examined and accepted by Audit, he and the officer in charge of the stores will not cease to be responsible for them.

As per Rule-9 of PPRA rules 2004, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During audit of Ordinance Depot Quetta, for the financial year 2015-16, it was observed that four purchase orders dated 01-6-2015 were issued to M/s National Lace for supply of sleeping bags amounting to Rs 14.00 million as under: -

(Rs. in million)

LPO No	LPO date	Details of stores	Qty	Rate (per piece)	Amount
114,115, 116, 117	01-6-2015	Sleeping bags	2000 (each LPO 500)	7000	14.00

It was observed that payment was made to suppliers in June 2015, but despite issuance of repeated reminders, items were not supplied even after the lapse of one year. It was further observed that contractor M/s National Lace was issued warning letter dated 28-6-2016, but the supplies were not made good. Moreover, four purchase orders of the same items were issued in piecemeal on the same date. Thus, sanctions were split to avoid approval from the competent authority.

Audit concluded that payment was made without receipts of funds which was tantamount to misuse of public funds.

The irregularity was pointed out by Audit in February 2016. The executive replied that payment was made after obtaining performance guarantee. The reply was not tenable as release of payment of Rs. 14.000 million before actual receipt of items was illegal. Besides, performance guarantee was not en-cashed as required under the rules.

The matter was discussed in DAC meeting held in January 2018. DAC was informed that complete store against the payment had been received and already issued to units against their demands. DAC directed to hold fact-finding inquiry to ascertain why such long time was consumed on local purchases.

Audit stresses upon early finalization of inquiry and action against the persons at fault.

DP-S-170/2017-18

1.3.16 Execution of same work twice within a year – Rs. 3.141 Million

As per Rule-218 of Financial Regulations Volume-II 1986, an item purchased out of annual training grant can be repaired and maintained out of annual training grant allotment provided funds are available and that its repair or maintenance is essential from training point of view. Repair material used for maintenance or repair of these training aids will be taken on ledger charge for proper accounting.

During audit of Command and Staff College, Quetta, for the financial year 2015-16, it was observed that the flooring work of squash court was carried out twice in the year 2015. First time, it was carried out by M/s Al Hakeem on 2-1-2015, whereas, the same work was again executed by M/s Abdullah on 13-11-15. It was actually MES work and Command and Staff College Quetta has got a separate GE posted for that job. It also raises doubt whether work was actually done twice, as there was no justification for carrying out work twice in the same year. Following discrepancies were also observed:

- i. Bill of quantity was not made as per requirement.
- ii. Less amount of income tax was recovered (4.5% instead of 10%).
- iii. The work was executed without proper tendering in leading newspapers.

Audit was of the opinion that execution of same work twice in a year reflected weak internal controls and misuse of financial authority.

The irregularity was pointed out by the Audit in November 2017, but no reply was received.

The matter was discussed in DAC meeting held in January 2018. DAC directed that irregular expenditure out of ATG may be regularized from the competent authority and income tax be recovered as per applicable rates. No progress was reported to Audit till finalization of this report.

Audit recommends to investigate the matter for the execution of same work twice in a year.

DP S-159/2017-18

**1.4 Recoverables / Overpayments – Rs. 186.233 Million
US \$ 0.396 Million**

**1.4.1 Non-deposit of Govt share of commercial activities –
Rs. 43.885 Million**

According to the Policy on use of A-1 land for Welfare and other projects of the Armed Forces issued vide Government letter No. F-2/5/D-12/ML&C/99 dated 2nd April, 2008, the rent shall be charged @ 6% per annum of existing revenue rates of the said land used in Commercial projects and out of total amount so calculated, 25% will be deposited into Government treasury.

During audit of the accounts of Military Estate Office Peshawar for the year 2015-16, it was noticed that that certain commercial projects were being run by the Army on A-1 land under the management of MEO but rent was not deposited into Government treasury which resulted into loss to state amounting to Rs. 43.885 million.

Audit was of the view that delay in deposit of Government share suffer the revenue receipts of the public exchequer which shows weak internal controls on the part of management.

The irregularity was pointed out by Audit in December, 2016, the executive replied that rent was being deposited into Government treasury by the concerned formations. The reply was not tenable as documentary evidence was not produced to Audit.

The DAC in its meetings held in August, 2017 directed Army authorities to take appropriate action. No progress was reported to Audit till finalization of this report.

Audit recommends for expeditious recovery of the amount involved besides investigation of the matter to fix responsibility on person(s) at fault and its verification by Audit.

DP-N-506/2016-17

1.4.2 Non-recovery of training charges from foreign trainees US \$ 0.395 Million (Rs. 43.450 Million)

According to Joint Services Instructions 4/2006, “Training charges will be recovered from foreign trainees/cadets when they are provided such facilities in various institutions of the Pakistan Armed Forces training institutions”.

During audit of the accounts of following (04) Army training institutions, it was observed that training charges valuing USD 0.395 million against foreign trainees for the period from March, 2015 to September, 2016 were lying outstanding which needed to be recovered.

(Rs. in Million)

S #	DP No.	Unit / Formation	Amount
1	DP-N-320/2016-17	School of Military Intelligence, Murree	US \$ 0.034
2	DP-N-407/2016-17	Army School of Music, Abbottabad	US \$ 0.031
3	DP-N-677/2016-17	Military College of Eng, Risalpur	US \$ 0.012
4	DP-N-72/2017-18	Military College of Signals, Rawalpindi	US \$ 0.318
Total			US \$ 0.395

Audit was of the view that delay in recovery of training charges was due to weak internal controls on the part of management causing loss to public exchequer.

The irregularity was pointed out by Audit during the year 2016-17, the executives replied that training charges claims of objected period in respect of foreign trainees had already been forwarded to GHQ for realization from respective countries.

The matter was discussed in DAC meetings held in August, 2017 and January, 2018 wherein it was directed to pend the paras till full recovery. However, against serial No. 3, the DAC directed that amount of recovery may also be reconciled with audit. No further progress was reported to Audit till finalization of this report.

Audit recommends for early recovery action and its verification by Audit.

1.4.3 Non-recovery of rent and allied charges from various consumers – Rs. 35.098 Million

According to Para-442 of Defence Services Regulations 1998, “the GE is responsible for making demands for payment of all revenue and for taking steps for its prompt realization”.

During audit of the accounts of following (07) MES formations for the years 2015-16 and 2016-17, it was revealed that rent and allied charges amounting to Rs. 35.098 million were lying outstanding against various consumers.

(Rs. in Million)

S #	DP No.	Unit / Formation	Amount
1	DP-N-326/2016-17	GE (Army), Murree	5.974
2	DP-N-327/2016-17	GE (Army), Murree	10.869
3	DP-N-403/2016-17	GE (Army) Svcs, Peshawar	5.304
4	DP-N-476/2016-17	GE (Army) Svcs, Peshawar	2.214
5	DP-N-516/2016-17	GE (Svcs), Sialkot	3.092
6	DP-N-01/2017-18	GE (Army) Svcs, Peshawar	3.650
7	DP-N-39/2017-18	GE (Army) Svcs, Mangla	3.995
Total			35.098

Audit was of the view that non-recovery of Government dues was tantamount to loss to state and shows weak internal controls.

The irregularity was pointed out by Audit during the year 2016-17, the executive replied that partial recoveries were effected and balance would be recovered shortly but no documentary evidence was presented to audit for verification.

The matter was discussed in DAC meetings held in August, 2017 and January, 2018 wherein it was directed to get verified the recovered amount from audit and balance amount be recovered within

three months. No further progress was reported to Audit till finalization of this report.

Audit recommends expeditious recovery of the amount involved and its verification by Audit.

1.4.4 Non-recovery of cost of milk supplied to non-military organizations and military farm staff – Rs. 29.792 Million

According to Rule-128 of Financial Regulations Volume-II, 1986, “Military farms are worked on quasi-commercial lines they shall, as far as possible, settle all transactions in cash instead of by book debit or credit but as this is not always practicable or desirable, the later mode of adjustment shall be adopted where necessary”.

During the examination of the accounts of Military Farm Jhelum for the year 2014-15, it was noticed that fresh milk costing Rs. 29,791,698 was sold to non-military organizations and staff of Military Farm during 2012-13 to 2014-15 but the recovery was not made.

Audit was of the opinion that non-recovery of cost of milk from the civilian consumers resulted in loss to the state which indicated weak internal controls on the part of management.

The irregularity was pointed out by Audit in October, 2015, the executive replied that the concerned were being asked to expedite the recovery action.

The matter was discussed in DAC meeting held in January, 2018. The DAC was apprised that Rs. 10,452,363 has been recovered by Military Farm, Rawalpindi and deposited into Government treasury and recovery of balance amount of Rs. 3,542,138 was in process. The DAC directed that amount of recovery be reconciled with audit and recovered amount be got verified from audit within one month. No further progress was reported to Audit till finalization of this report.

Audit stresses for expeditious implementation of DAC's directive regarding reconciliation and recovery of balance amount and its verification by Audit.

DP-N-655/2016-17

1.4.5 Non-recovery of House Rent Allowance from Army Officers allotted Married Accommodation – Rs. 13.817 Million

According to Ministry of Housing and Works O.M No. F-11(33)/2012-Policy dated 17th May, 2013 endorsed by Finance Division (Military Finance Wing) Rawalpindi vide U.O No. 134/R-1/ASMF/2014 dated 31st January, 2014, armed forces officers allotted residential accommodations may not be paid 45% house rent allowance and 5% of their running basic pay should be charged to bring them at par with civilian set up.

During audit of the accounts of following 03 Army formations for the year 2015-16 and 2016-17, it was observed that Army officers were availing the facility of Government married accommodation and also drawing House Rent Allowance which was irregular and resulted into overpayment amounting to Rs. 13,817,291 million which needed recovery.

(Rs. in Million)

S #	DP No.	Unit / Formation	Amount
1	DP-N-388/2016-17	CMH, Bahawalpur	1.706
2	DP-N-497/2016-17	CMH, Sargodha	1.862
3	DP-N-22/2017-18	School of Artillery, Nowshera	10.249
Total			13.817

Audit was of the opinion that payment of house rent allowance to the Army officers availing married accommodation was tantamount to misuse of authority resulting into loss to state.

The irregularity was pointed out by Audit during December, 2015 to November 2016, the executives replied that HRA was

authorized to all married officers who were residing in MOQ vide MAG letter No. AT/MES/2254-XVIII dated 15th February, 2003.

The matter was discussed in DAC meetings held in August, 2017 and January, 2018 wherein it was directed to pend the paras till formulation of House Rent Allowance Policy. No progress regarding formulation of House Rent Allowance Policy was reported till finalization of this report.

Audit recommends early recovery of House Rent Allowance and its verification by Audit.

1.4.6 Payment to contractor in excess of bid rate – Rs. 5.379 Million

As per comparative statement, bids of contractors for construction of Boundary walls at Military Farms Group, Okara were accepted at 07% below on MES Schedule of Rates – 2014. Therefore, the payments were required to be made after deduction of 07% from at par cost on MES Schedule of Rates – 2014.

During audit of the accounts of Military Farm Group Okara for the year 2015-16, it was observed that while making payments to the contractors, 07% below contractor percentage quoted by the contractors was not deducted and full amount at par of MES Schedule of Rates – 2014 was paid to the contractors. Resultantly, a sum of Rs. 5.379 million was overpaid which needed recovery.

Audit was of the opinion that overpayment to the contractors was due to weak internal controls resulting loss to the state.

The irregularity was pointed out by Audit in September, 2016, the executive replied that estimate had already been approved by competent authority at 07% below MES Schedule of Rates – 2014. The reply was not acceptable. It was a clear case of overpayment. Recovery of amount overpaid may be effected.

The DAC in its meeting held in January, 2018 directed that payment be got verified with evidence. In case of full payment at Par of

MES schedule of Rates, the overpaid amount may be recovered within one month. No further progress was reported to Audit till finalization of this report.

Audit recommends expeditious recovery of amount involved besides investigation of matter to fix responsibility on the person(s) at fault and its verification by Audit.

DP-N-674/2016-17

1.4.7 Non-recovery of income tax from contractors – Rs. 26.334 Million

As per Section-153 of Income Tax Ordinance 2001 as amended from time to time, every prescribed person making a payment for rendering or providing of services is liable to deduct tax from the gross amount of the bills at prescribed rates.

During audit of GE (Army)-II Quetta for the financial years 2015-16 & 2016-17, it was observed that income tax of Rs. 26.334 million was not deducted from various contractors as required under the rules. The details are as under: -

(Rs. in million)

S No	Unit/Formation	DP No.	Amount
1.	GE (Army) II, Quetta	S-250	13.833
2.	GE (Army) II, Quetta	S-28	8.750
3	GE (Army) II, Quetta	S-252	3.751
T o t a l			26.334

Non-recovery of government dues reflected weak internal controls which deprived Government of potential revenue.

Non-recoveries were pointed out by Audit in November 2016 & October 2017. For Sr No. 1 & 2, the executive replied that income tax was not deducted because contractors belonged to Tribal area (Zhob / Loralai) Districts and were exempted from income tax. The reply was not tenable as civil works were not exempted from levy of income tax, as exemption was extended to tribal areas for services rendered only. For Sr

No.3, the executive replied that income tax @ 7.5% had already been recovered.

The matter was discussed in DAC meeting held in January 2018. DAC directed that documents be provided to Audit relating to the work done by the contractors in the tribal areas and evidence of filer status for verification. No record was produced to Audit for verification till finalization of this report.

Audit stresses upon recovery of income tax as per rules under intimation to Audit.

1.4.8 Non-recovery of sales tax – Rs. 14.182 Million

As per G.S.T. Act, 1990 amended from time to time vide S.R.O. 660(1)/2007 dated 30-6-2007, a withholding agent shall deduct an amount equal to one fifth of the total sales tax shown in the sales tax invoice issued by the supplier and make payment of the balance amount to him. As per contract agreement clause 18: the contractor shall produce sales tax invoices or any other valid documents to provide that the importer/manufacturer, from whom the goods have been produced, has paid the sales tax for taxable goods. The documents thus produced shall be additional sales tax, if levied upon, during currency of the contract agreement in respect of the same goods.

During audit of following Army units, for the financial year 2016-17, it was observed that sales tax amounting to Rs. 14.182 million was not deducted from the contractors against various contracts as under:

(Rs. in million)

S#	Unit/Formation	DP No.	Amount
1	GE (Army)-II, Quetta	S-251	9.986
2	GE (Army)-I, Quetta	S-306	4.196
T o t a l			14.182

Non-recovery of applicable taxes resulted into loss to exchequer and indicated weak financial management.

Non-recoveries were pointed out by Audit in October 2017. The executive at Sr No.1 replied that there was no provision in contract to deduct sales tax on these contracts. For Sr No.2, the executive agreed with the audit stance and replied that the point had been noted for future compliance. The reply was not tenable as all the contracts were civil works, therefore, GST was required to be deducted as per rules.

The matter was discussed in the DAC meeting held in January 2018. For Sr. No.1, DAC directed that clarification from FBR may be obtained and for Sr. No.2 DAC directed that recovery be made.

Audit stresses upon early recovery of sales tax.

1.4.9 Non-recovery of rent and allied charges from various consumers – Rs. 11.820 Million

According to Para-442 of Defence Services Regulations 1998, “the GE is responsible for making demands for payment of all revenue and for taking steps for its prompt realization”.

During audit of following Army formations, for the year 2016-17, it was observed that rent and allied charges amounting to Rs.11.820 million were not recovered in violation of above rule. The details are as under: -

(Rs. in million)

S No.	Unit/Formation	DP No.	Amount
1	GE (Army) Construction, Pano Aqil	S-82	5.519
2	CMH, Hyderabad	S-268	1.784
3	GE (Army)-II, Quetta	S-258	1.653
4	GE (Army)-II, Quetta	S-25	1.184
5	GE (Army)-I, Quetta	S-231	1.116
6	GE (Army) C&SC, Quetta	S-10	0.564
T o t a l			11.820

Non-recovery of rent and allied charges from consumers indicated weak financial management within Army Units.

Non-recoveries were pointed out by Audit in November 2016, October 2017 & November 2017. The executive at Sr No. 2 replied that the bills of guest room were paid regularly. For Sr No. 3, the executive replied that notices had been issued to consumers for recovery. For Sr No. 4, the executive replied that the amount would be recovered. No reply was received from formations at Sr. No. 1 & 5.

The matter was discussed in DAC meeting held in January, 2018. DAC was informed that the partial recoveries had been made. DAC directed that recovery made so far be got verified from Audit and balance amount be recovered expeditiously.

Audit stresses upon early recovery action under intimation to Audit.

1.4.10 Non-deposit of Government share of rental income – Rs. 4.560 Million

According to policy on use of A-1 Land circulated vide MoD letter dated 2nd April, 2008, in order to launch essential commercial activities required to serve the residents of the respective garrison, survey will be conducted by a board of officers to determine the actual area under usage. The rent shall be charged @ 6% per annum of existing revenue rate of the said land. Government's share @ 25% of the rent so charged will be deposited into Government treasury. Besides, the entire amount of rent charged for use of A-I land for agricultural purposes will be deposited into Government treasury.

During audit of Command and Staff College, Quetta, for the financial year 2016-17, it was observed that the monthly rent was realized from commercially run activities, however, share of government as per A-1 Land Policy was not being deposited into government treasury as under: -

(Rs. in million)

S No.	Description of Activities	Rent per month	2015-16 & 2016-17 (No. of months)	Amount @ 25% share
1	20 shops in CDS Complex & Iqra Market	0.600	24	3.600
2	Link up Café	0.100	24	0.600
3	New York Pizza	0.030	24	0.180
4	Beauty Parlor	0.030	24	0.180
Total				4.560

Audit was of the opinion that non-deposit of rental income resulted in loss to government exchequer.

Non-deposit was pointed out by Audit in November 2017. The executive replied that all shops were Category-B activities and Board proceedings had already been forwarded to GHQ through HQ SC. The reply was not tenable as above-mentioned activities were Category-A, thus chargeable for rent.

The matter was discussed in DAC meeting held in January, 2018. DAC directed that Board of officers be convened for categorization of these activities as per A-1 land policy and rent of NBP be recovered as per policy.

Audit stresses upon early deposit of government share in treasury.

DP-S-190/2017-18

1.4.11 Irregular payment of House Rent Allowance (HRA) – Rs. 1.366 Million

Rule-24(c) of Quarters & Rents 1985 provided that a married officer shall be allotted married accommodation if his family is residing with him, if his family is not residing with him he may only be allotted single accommodation. Rule-40 of Quarters & Rents 1985 provided the procedure for recovery of rent, etc, in respect of residential accommodation allotted to officers.

During audit of 315 Engineering Battalion, Malir, Karachi, for the year 2016-17, it was observed that HRA amounting to Rs. 1.366 million was paid to those officers, who were also availing Government accommodation.

Audit was of the opinion that payment of house rent allowance to officers availing government accommodation was tantamount to misuse of authority resulting into loss.

Non-recovery was pointed out by Audit in November 2017. The executive replied that allotted accommodation was below entitlement and government allowed drawl of HRA. The reply was not tenable as HRA was not admissible to those availing government accommodation.

The para was not discussed in DAC meeting held in January 2018 due to non-submission of reply from unit.

Audit stresses upon early recovery of HRA as per rules.

DP-S-246/2017-18

1.5 Loss to State – Rs. 95.012 Million

1.5.1 Loss to state due to non-recovery of cost of risk purchase – Rs. 46.459 Million

According to para-67(a) of ASC Regulations Vol-II – 1986, “when purchases are made at the risk and expense of a contractor, full details of each case will be sent to the CMA concerned for effecting necessary recoveries”.

During audit of the accounts of Base Supply Depot Kharian for the year 2015-16, it was noticed that contracts for supply of meat and chicken were awarded to M/s Yasir Humayun for the year 2015 (1st January, 2015 to 31st December, 2015) vide Contract Deeds No. 5269 of 2015 and No. 5273 of 2015 respectively. After supplying meat and chicken for 2 months, the contractor failed to supply said items for rest of the period. So the auditee purchased meat and chicken from local market through another contract agreement at higher rates. Resultantly, a sum of

Rs. 46,458,845 incurred on risk and cost of defaulting contractor was recoverable.

Audit was of the opinion that non-recovery of risk and cost amount resulted into loss to state which shows weak financial and internal controls.

The irregularity was pointed out by Audit in December, 2016, the executive replied that detail of recoverable amount was forwarded to Log Area for necessary action.

The DAC in its meeting held in January, 2018 pended the para due to non receipt of reply. No further progress was reported to Audit till finalization of this report.

Audit stresses for an early recovery action and its verification by Audit.

DP-N-586/2016-17

1.5.2 Loss to state due to conclusion of contract at exorbitant rates by accepting 2nd Lowest bid instead of re-tendering – Rs. 26.540 Million

Under Rule-6(a) of Financial Regulations Volume-I, “every officer should exercise the same vigilance in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own money”.

During audit of the accounts of Supply & Transport Log Area, Peshawar for the year 2016-17, it was noticed that M/s Rehman & Brothers offered a lowest bid of Rs. 119,909,500 for HMT contract at Peshawar Zone on 18th March, 2015. The management did not issue acceptance letter to the lowest bidder uptill 6th April, 2015. However, the contractor withdrew his offer on 6th April, 2015 stating the reasons that there was a sudden increase in POL prices. Instead of obtaining competitive economical lowest rates through re-tendering, contract amounting to Rs. 146,945,000 was awarded to the 2nd lowest bidder. Thus due to delay in acceptance of tender and non-retendering, an extra

expenditure of Rs. 26,535,500 (Rs. 146,945,000 (-) Rs. 119,909,500) was incurred.

Audit was of the view that delay in issuance of acceptance letter to the lowest bidder and non re-tendering of the bid was tantamount to misuse of authority. Resultantly, state suffered a loss of Rs. 26,535,500.

The irregularity was pointed out by Audit in December, 2016, the executive replied that in the light of para-6 of instructions of tenders (PAFZ-2137-A), the contractor had a right to withdraw his offer before conclusion of contract with forfeiture of earnest money.

The reply was not tenable because there was a continuous trend of decrease in POL prices in international and domestic markets at that time. Thus, undue favour was extended to the defaulting contractor by accepting request for withdrawal of his tender and acceptance of 2nd lowest bid at exorbitant rates instead of re-tendering to achieve economical and competitive rates.

The DAC in its meeting held in January, 2018 directed to get verify the original record from Audit. No documents were produced to Audit till finalization of this report.

Audit recommends to investigate in to the matter as to why the acceptance letter to the lowest bidder was not issued in time and that why option of retendering was not exercised because there was a huge difference between the 1st and 2nd bidder at that time when POL prices were at declining trend.

DP-N-04/2017-18

1.5.3 Loss to state due to non-implementation of the boards of inquiries recommendations – Rs. 7.606 Million

According to Rule-284 of Army regulation Vol-1 (Rules) 1998 “No officer or soldier will directly or indirectly accept either on his own or any other person's behalf any present, gift, gratuity or reward, from

a public body, or a private individual for any reason, including in recognition of services rendered in the performance of his duty”.

During audit of the accounts of Combined Military Hospital Lahore Cantt for the year 2015-16, it was observed that the following 02 officials were discharged from service due to theft of medicines and fraudulent activities: -

Sr. No	Name and designation	Discharged from service by CMH vide Letter No	Station HQ Letter No	Reason
1	7355005 Hav/N/A Abdul Latif	1064/Coy, dt 05/2016	922/1/A, dt 11-5-2016	Theft of Medicines
2	7360119 Nk/N/A Ashfaq Ahmad	1064/Coy, dt 05/2016	922/1/A, dt 11-5-2016	Fraudulent activities

After having gone through the court of inquiry the Commander 4 Corps issued orders on 30th July, 2015 that a sum of Rs. 6,058,198 be recovered from the following officials being earned through illegal commission and be deposited in appropriate Government Head.

1) Abdul Latif, Hav/N/A ANo. 7355005	= Rs. 6,058,198
2) Abdul Latif Hav, (N/A) ANo. 7355005	= Rs. 116,500
3) Asif Hussain Naik (Dispenser) No. 7364848	= Rs. 38,850
Total	= Rs. 6,213,548

It was further added that as per another court of inquiry an amount of Rs. 1,392,597 was to be recovered from 7360119 Nk/N/A Ashfaq Ahmad. Therefore, a sum of Rs. 7,606,145 was required to be deposited into Government treasury as per the recommendations of the boards of inquiry which was not done.

Audit was of the view that the fraudulent activities took place due to weak internal controls on the part of management which resulted into loss to state.

The irregularity was pointed out by Audit in June, 2016, the management did not reply.

The DAC in its meeting held in August, 2017 directed that in accordance with recommendations of the inquiries, action be completed and produced to audit for verification. No further progress was reported to Audit till finalization of this report.

Audit stresses for early implementation of DAC's directive besides recovery of the amount from the officials concerned and its verification by Audit.

DP-N-307/2016-17

1.5.4 Loss to state due to non-deposit of B.T.S. tower fee – Rs. 1.440 Million

According to ML&C Department letter No. 51/1411/Lands/ML&C/2005, dated 31st July, 2006, "For installation of B.T.S. Towers in Cantonments, Cellular Companies have to deposit Rs 20,000 p.m. with 10% enhancement per annum to Government on account of tower fee".

During audit of the accounts of 25 Signal Bn. Lahore Cantt for the year 2015-16, it was noticed that B.T.S. tower of ZONG (PVT) Limited was installed on A-1 Land of Unit area but tower fee amounting to Rs. 1.440 million was not been deposited into Government treasury. This omission resulted into loss to state amounting to Rs. 1,440,000 (20,000 x 12 x 6 = Rs 1,440,000) which was required to be recovered.

Audit was of the view that non-implementation of ML&C department orders resulted loss to the state which shows weak internal controls on the part of management.

The irregularity was pointed out by audit in June 2016, the management did not reply.

The DAC in its meeting held in August, 2017 directed to recover BTS charges and deposit into Government treasury and get it verified from audit within six months. No further progress was reported to Audit till finalization of this report.

Audit stresses for expeditious recovery of BTS charges, their deposit into Government treasury and verification by Audit.

DP-N-302/2016-17

1.5.5 Blockage of Government money due to non-disposal of surplus stores – Rs. 12.967 Million

According to para-631 of DSR 1998, stores may not be procured chargeable to one project with the intention of re-issuing them wholly or in part to other projects, but stores which are found to be surplus to requirements, during the course of or at the close of a project will be transferred to other projects which require them. Stores will not, however, be transferred from one project to another for which they are not required merely in order to close the accounts of the former (see also para 652).

During audit of CDS (Army) Quetta, for the financial year 2015-16, it was observed that different bars of steel / stores were available in surplus since 2009, but neither the same were issued for on-going works nor disposed of. The Board of officers also recommended that the surplus steel be disposed of immediately as per procedure and its rate was fixed at Rs. 41,000 PMT. The details are as under: -

(Rs. in million)

S No.	Description	Quantity in M/Ton	Rate	Amount
1.	Def Gd-60 1.250	142.302	0.041	5.834
2.	Def Gd-60 7/8"	100.169	0.041	4.107
3.	Def Gd-40 7/8"	36.625	0.041	1.502
4.	Bars Rd 3/4"	18.000	0.041	0.738
5.	Bars Rd 7/8"	10.045	0.041	0.412
6.	Bars Rd 1 x 1/8"	9.113	0.041	0.374
Total				12.967

Audit held the view that non-disposal of surplus stores resulted into blockage of potential revenue.

This was pointed out by Audit in March 2017. The executive replied that this office had declared the surplus store on E-3

Form ‘D’ for auction purpose and submitted to higher authority for disposal and its approval was awaited. The reply was not tenable as the steel was lying in open space since long creating environmental effect on the strength of steel. The competent authority could have managed to avoid the loss by taking early action.

The para was not discussed in DAC meeting held in January 2018, due to absence of the executive.

Audit recommends expeditious disposal of surplus stores.

DP-S-76/2017-18

1.6 Mis-procurement of stores – Rs. 257.693 Million

1.6.1 Mis-procurement of stores in violation of Public Procurement Rules – Rs. 194.145 Million

According to Section-12(1-2) of Public Procurement Rules-2004, “Procurements over one hundred thousand rupees and up to the limit of Rs. 2.000 million shall be advertised on the authority’s website. Further procurement over Rs. 2.000 million should be advertised on the authority’s website as well as in two national dailies, one in English and the other in Urdu”.

During audit of the accounts of the following (10) Army formations for the year 2015-16 it was observed that contracts valuing Rs. 194.145 million were awarded to different contractors without advertisement through PPRA’s website and newspapers in violation of PPRA Rules.

(Rs. in million)

S #	DP No.	Name of Unit / Formation	Amount
1.	DP-N-288/2016-17	Armoured Corps Centre, Nowshera	2.857
2.	DP-N-376/2016-17	School of Military Intel, Murree	7.000
3.	DP-N-389/2016-17	HQ Engr 10 Corps, Chaklala	6.000
4.	DP-N-444/2016-17	NLI Regimental Centre, Bunji	17.148
5.	DP-N-606/2016-17	GE (Army) Maint-II, Rawalpindi	25.026

6.	DP-N-636/2016-17	GE (Army), Jhelum	65.081
7.	DP-N-642/2016-17	HQ Engr 10 Corps, Chaklala	9.270
8.	DP-N-656/2016-17	CMH, Okara Cantt	43.095
9.	DP-N-12/2017-18	GE (Army) Svcs, Peshawar	15.668
10.	DP-N-71/2017-18	41 Baluch Regiment, Sialkot	3.000
Total			194.145

Audit was of the view that incurring of public expenditure without adoption of PPRA Rules may lead to misuse of Government funds which shows weak internal controls on the part of management.

The irregularity was pointed out by Audit in 2016-2017, the executives replied that contracts of stores and works were awarded to firms after meeting all codal formalities. The replies were not acceptable as documentary evidences regarding advertisement in newspapers and PPRA's invoices were not produced.

The matter was discussed in DAC meetings held in August, 2017 and January, 2018 wherein it was directed to hold inquiry, fix responsibility, take disciplinary action and get violation of PPRA Rule regularized. No further progress was reported to Audit till finalization of this report.

Audit stresses for expeditious finalization of inquiries and regularization besides initiation of remedial measures to avoid such lapses in future.

1.6.2 Irregular expenditure in violation of PPRA Rules – Rs. 62.018 Million

According to Section-28(1) of Public Procurement Rules 2004, “the date for opening of bids and the last date for the submission of bids shall be the same. Bids shall be opened at the time specified in the bidding documents. The bids shall be opened at least thirty minutes after the deadline for submission of bids”.

During audit of the accounts of Combined Military Hospital Lahore Cantt for the year 2015-16, it was observed that the purchase of Electro Medical Equipments was advertised in daily Nawa-e-Waqt, dated 11th April, 2015. As per advertisement, the last date for submission of bid was 4th May, 2015 and opening date of bids was given as 5th May, 2015 in violation of the above PPRA rules. The said irregularity was also highlighted by the transparency international, vide their letter dated 13th April, 2015. The audittee responded to transparency international as the subject tender was declared null and void. Although no other advertisement was made but still purchase of the equipments was made which was irregular.

Audit was of the view that incurring of public expenditure without adoption of PPRA Rules may lead to misuse of Government funds which shows weak internal controls on the part of management.

The irregularity was pointed out by Audit in June, 2016, the executive replied that the matter was regretted and noted for future compliance.

The DAC in its meeting held in August, 2017 directed to hold inquiry, fix responsibility, take disciplinary action and get violation of PPRA Rule regularized. No progress was reported to Audit till finalization of this report.

Audit stresses for expeditious finalization of inquiries and regularization besides initiation of remedial measures to avoid such lapses in future.

DP-N-278/2016-17

1.6.3 Irregular procurement of stores – Rs. 1.530 Million

According to Rule-04 of PPRA 2004, procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

As per Rule-9 of PPRA rules 2004, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During audit of Ordinance Depot Quetta, for the financial year 2015-16, it was observed that an expenditure of Rs 3.490 million was incurred against the procurement of jersey men's pullover for JCOs / Soldiers. The lowest bid received from M/s SMSS was @ Rs. 980 per piece. However, the procurement was made from M/s Army Welfare Trust (Askari Woolen Mills) @ Rs. 1,745 per piece, resulting in overpayment of Rs. 1.530 million as under: -

(Rs. in million)

Item	Rate offered by M/s SMSS	Rate by M/s Army Welfare Trust	Difference of Rate (Per Piece)	Qty	Amount excess paid
Jersey men pullover (70% wool 30% Nylon)	Rs 980	Rs 1,745	Rs 765	2000	1.530

Audit further noticed that financial power of LP of CLS (Lt Gen) was Rs. 2.000 million whereas the procurement was made for Rs. 3.490 million in piecemeal, which was tantamount to splitting and regrouping of sanction orders.

Audit was of view that the irregularity reflected poor financial management within the unit.

The irregularity was pointed out by Audit in February 2016. The executive replied that initially M/s SMSS was the lowest bidder whose rates were accepted and included in the comparative statement. The item was re-tendered in order to ensure procurement of item qualifying Army's specifications and M/s Army Welfare Trust Askari Woolen Mills emerged to be the lowest bidder. The reply was not tenable, as undue favour was extended to M/s Askari Woolen Mills by inviting fresh tenders.

The matter was discussed in DAC meeting held in January 2018. DAC directed for verification of the record pertaining to the process of procurement of stores by Audit. No record was produced till finalization of this report.

Audit recommends early implementation of DAC directives.

DP S-158/2017-18

1.7 Non-production of record – Rs. 140.867 Million

1.7.1 Non-production of auditable documents – Rs. 140.867 Million

In terms of Articles 169 and 170 of the constitution of the Islamic Republic of Pakistan read with the Auditor General Ordinance 2001 and present orders of the Supreme court of Pakistan passed in CMAs’ 3330, 3471, 3594/13 in constitution petition No. 105-12, audit is constitutional mandated process and after 18th amendment in constitution there is no room for denial of disclosure and with holding of accounts from Auditor General for audit.

Under section-14(3) of above Ordinance, any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During audit of the accounts of following (06) Army formations for the year 2015-16, the auditable record was requested through written requisitions and verbal requests. However, these formations did not produce auditable record to the audit teams which was a serious violation on the part of the auditee.

(Rs. in million)

S #	DP No.	Name of Unit / Formation	Amount
1.	DP-N-306/2016-17	Military Farm, Bolan	3.799
2.	DP-N-317/2016-17	25 Signal Bn, Lahore	-

3.	DP-N-498/2016-17	33 Punjab Regiment, Okara	-
4.	DP-N-553/2016-17	Military Farm, Kharian	-
5.	DP-N-560/2016-17	Station Supply Depot, Sargodha	137.068
6.	DP-N-681/2016-17	Central Ordnance Depot, Lahore	-
Total			140.867

Audit was of the opinion that non-production of auditable documents to Audit was tantamount to hindering the auditorial functions of the Auditor General and serious lapse which shows weak internal and financial controls on the part of management.

The irregularity was pointed out by Audit during 2016-17, the management did not reply.

The matter was discussed in DAC meetings held in August, 2017, and January, 2018 wherein it was directed to provide the documents to audit for Special Audit. No response was intimated to Audit till finalization of this report.

Audit stresses for expeditious implementation of DAC's directive regarding special Audit of these formations besides investigation of matter to fix responsibility on the person(s) at fault and consideration of remedial measures to avoid recurrence of such instances in future.

Military Lands and Cantonments

1.8 Irregular / Unauthorized expenditure – Rs. 651.863 Million

1.8.1 Non-recovery of premium and development charges due to unauthorized use of residential property as commercial – Rs. 458.510 Million

As per Para-3(h) (General Conditions) of the Government of Pakistan Ministry of Defence letter No. 3/6/D-12/(ML&C)/97-2007 dated 31st December, 2007, “usage of residential property for commercial purpose will require NOC from the respective Garrison HQrs. Premium shall be charged on revenue rate applicable for the said purposes. After approval of conversion, the respective Cantt Board to charge due composition fee as per existing rule and those who fail to pay the above, their property will be resumed”.

During audit of the accounts of Cantonment Boards Wah and Nowshera for the year 2015-16 and 2016-17, it was observed that these properties were held on lease for residential purpose but the same were un-authorizedly being used for commercial purpose, which resulted into loss to Cantt Funds amounting to Rs. 458.510 million on account of premium and development charges as detailed below: -

(Rs. in Million)

S No.	DP No.	Unit / Formation	Property No.	Amount
1	DP-N-411/2016-17	Cantt Board, Wah	Bungalow No. 49 Rehman Road, Wah	65.679
2	DP-N-426/2016-17	Cantt Board, Nowshera	Bungalow No. 31, G.T Road, NSR	43.233
3	DP-N-433/2016-17	Cantt Board, Wah	A-105, Survey No. 16 Lalarukh, Wah	36.082
4	DP-N-435/2016-17	Cantt Board, Wah	A-61, Survey No. 16 Lalarukh, Wah	26.027
5	DP-N-436/2016-17	Cantt Board, Wah	A-11, Survey No. 16 Lalarukh, Wah	27.991

6	DP-N-437/2016-17	Cantt Board, Wah	A-95, Survey No. 16 Lalarukh, Wah	27.136
7	DP-N-441/2016-17	Cantt Board, NSR	Bungalow No. 84, G.T Road, NSR	54.530
8	DP-N-456/2016-17	Cantt Board, Wah	A-112, Survey No. 16 Lalarukh, Wah	27.030
9	DP-N-521/2016-17	Cantt Board, Wah	A-65, Survey No. 16 Lalarukh, Wah	26.855
10	DP-N-522/2016-17	Cantt Board, Wah	A-5, Survey No. 16 Lalarukh, Wah	28.616
11	DP-N-523/2016-17	Cantt Board, Wah	A-28, Survey No. 16 Lalarukh, Wah	27.043
12	DP-N-524/2016-17	Cantt Board, Wah	A-85, Survey No. 16 Lalarukh, Wah	27.256
13	DP-N-589/2016-17	Cantt Board, Wah	A-23/1, Survey No. 16 Lalarukh, Wah	13.990
14	DP-N-632/2016-17	Cantt Board, Wah	A-29, Survey No. 16 Lalarukh, Wah	27.042
Total				458.510

Audit was of the opinion that un-authorized change of purpose without the approval of competent forum caused loss to Cantt fund which shows weak internal controls.

The irregularity was pointed out by Audit during 2016-17, the executives replied that action for determination of lease or regularization of unauthorized commercial use was under process.

The matter was discussed in DAC meetings held in September, 2017 and January, 2018. The DAC was apprised that a number of cases regarding determination of lease have been submitted to MoD for approval but the same are lying pending. The DAC directed to send a reference to AS-I requesting him for expeditious disposal of the cases. No further progress was reported till finalization of this report.

Audit stresses for early determination of lease or regularization of the case besides fixing of responsibility on the person(s) at fault and its verification by Audit.

1.8.2 Un-authorized construction of 2nd floor of Al-Amin plaza – Rs. 72.903 Million

According to Para-6(2)(b) of the Government of Pakistan, Ministry of Defence letter No. 25/853/Lands/92/4970/D-12/ML&C/94 dated 6th November, 1994, the serious violation of building by-laws shall not be compounded. In case, it is compounded then the composition fee in case of commercial building, minimum of 10% of assessed capital cost of land and building shall be charged.

During audit of the accounts of Cantt Board Rawalpindi for the year 2016-17, it was noticed that the lessee of Bungalow No. 4, survey No. 169, 169/1-4 known as “Al-Amin Plaza” situated at Mall road, Rawalpindi Cantt submitted revised building plan for approval. The case was placed before the Board and the Board vide CBR No. 39 dated 21st January, 2015 resolved to approve to the extent of construction of part of 2nd floor and un-authorized construction was compounded @ 30% of the total cost of un-authorized construction but composition fee which comes to Rs. 72,903,488 was not recovered.

Audit was of the view that non-recovery of composition fee was undue favour to the lessee and lack of accountability causing loss of Rs. 72.903 million to Cantt fund.

The irregularity was pointed out by Audit in September, 2015, the executive replied that after obtaining necessary concurrence of the competent authority the composition fee will be recovered.

The DAC in its meeting held in August, 2017 directed to finalize the regularization process in the light of decision of the Board within 02 months. No further progress of the case was however intimated to audit till finalization of this report.

Audit recommends to investigate the matter to fix responsibility on the person(s) at fault besides expeditious recovery and its verification by Audit.

DP-N-316/2016-17

1.8.3 Non-recovery of cost of land encroached upon by the lessee – Rs. 39.600 Million

According to Section-187 of Cantonment Ordinance 2002, “no person shall make an encroachment, moveable or immovable on open space or land vested in or manage/control maintained by local Government”.

During audit of the accounts of Cantonment Board Nowshera, for the year 2015-16, it was noticed that the lessee of property bearing No. 1324,1324/1 and 1324/2 situated at Shadman Colony Nowshera Cantt, encroached upon 8987 sft of Class “C” land and constructed un-authorisedly. Thus the department was deprived of cost of the land amounting to Rs. 39,600,000.

Audit was of the view that non-vacation of encroached land was an undue favour to the lessee and lack of accountability causing loss to the Cantt Fund.

The irregularity was pointed out by Audit in April, 2015, the executive replied that notices have already been issued to the encroachers but they have obtained stay order from the court.

The DAC in its meeting held in August, 2017 directed to finalize the process of regularization of the properties within 02 months. No further progress of the case was however intimated to audit till finalization of this report.

Audit recommends expeditious implementation of DAC’s directive besides investigation to fix responsibility on the person(s) at fault for not safeguarding Cantt Board interest.

DP-N-358/2016-17

1.8.4 Un-authorized payment to Government officials instead of contractor – Rs. 5.400 Million

According to Section-12(2) of Public Procurement Rules 2004, all procurement / services opportunities over two million rupees

should be advertised on the Authority's website as well as in other print media newspapers having wide circulations. The advertisement shall principally appear in at least two national dailies, One in English and other in Urdu.

The work for construction of Bus Stand No.02 behind State Life Building was advertised in Newspaper "Apna Akhbar" D.I Khan on 15th June, 2010. In response, rates offered by M/s Javed Hassan, General order supplier were accepted by the Board vide CBR No.15 dated 15th November, 2010.

During audit of the accounts of Cantonment Board, D.I. Khan for the year 2013-14 it was noticed that: -

- i) Work executed was not published on PPRA's website as required under the rules.
- ii) An amount of Rs. 3,738,500 was released in advance to different individuals other than contractor/supplier before Cantt Board Resolution which needs justification.
- iii) Amount of Rs. 691,500 was paid to contractor i.e. M/s Javed Hassan.
- iv) Record for payment of remaining amount i.e. Rs. 970,000 was not produced to audit.

Audit was of the view that payment of work to the employees of Cantt Board instead of contractor and non-uploading of tender on PPRA's website was tantamount to misuse of Cantt Fund and weak financial and internal controls.

The irregularity was pointed out by audit in December, 2014, the executive replied that the construction of Bus stands (New Khan Adda) was sanctioned by DML&C Peshawar and the same was placed before the Board for consideration. The Board vide its CBR No. 15 dated 5th November, 2015 considered and approved. The work was done and entered in the Measurement Book and no extra/illegal payment was made to the contractor.

The reply was not acceptable. Payment was made to unauthorized persons other than contractor which was un-justified.

The DAC in its meeting held in January, 2018 directed to hold fact finding inquiry and submit report to Audit/MoD within 01 month. No further progress was reported to Audit till finalization of this report.

Audit stresses for expeditious implementation of DAC's directive regarding finalization of inquiry proceedings, implementation and its verification by Audit.

DP-N-659/2016-17

1.8.5 Unjustified issuance of NOC for conservancy services – Rs. 60.000 Million

Section-98 of Cantt Act, 1924, power to make special provision for conservancy in certain cases: A board may make special provision for the cleansing of any factory, hotel, club or group of building or lands used for any one purpose and under one management, and may fix special rate and the dates and other conditions for periodical payment thereof, which shall be determined by a written agreement with the person liable for the payments of the conservancy or scavenging tax in respect of such factory, hotel, club or group of building or lands provided that, in fixing the amount proper regard shall be had to the probable cost to the board of the services to be rendered.

During the audit of under mentioned Cantonment Boards, for the period 2015-16 & 2016-17, it was observed that NOC was issued to military formations for arrangement of conservancy services at their end. It was responsibility of Cantt Board to provide conservancy services within their jurisdiction. Outsourcing of such services not only deprived Cantonment Board of hefty revenue but such services were arranged at much higher rate by the unit.

(Rs. in million)

S No	DP No	Cantonment Board	Military units	Amount
1.	DP-S-197	CB Faisal	PAF Base Faisal	30.000
2.	DP-S-193	CB Faisal	COD, Khi	20.000
3.	DP-S-210	CB Malir	PAF Base Malir	10.000
Total				60.000

Audit was of opinion that issuing NOC deprived Government of potential revenue.

This was pointed out by Audit in August 2017. The executive replied that under Section 98 of Cantonment Act 1924, special arrangement for conservancy can be made by group of buildings; therefore, NOC was given to COD, PAF Base Faisal & PAF Base Malir. The reply was not tenable as concerned unit/ formation was not a group of buildings; it was a Govt. organization/Deptt. where conservancy services were required to be provided by cantonment board.

The matter was discussed in DAC meeting held in January 2018. DAC directed the executive to submit revised reply duly supported with relevant rules. The revised reply was still awaited.

Audit recommends that Department of ML&C may take up the matter with military authorities to get the conservancy services carried out through Cantonment Boards in order to save public money.

1.8.6 Un-justified cash held on charge in cash book -- Rs. 14.306 Million

As per Rule-170(A) of Treasury rules of Federal Government, any amount remaining un-drawn at the close of a financial year shall lapse.

During the audit of MEO Quetta for the financial year 2015-16, it was observed that an amount of Rs. 14.306 million was lying unspent since long in MEO account. The amount was neither surrendered nor utilized in due course of time as per rules. This indicates weak financial management by the executive.

The irregularity was pointed out by Audit in November 2016. The executive replied that Rs. 13.929 million were received from EDO (Revenue) on account of acquisition of land measuring 13,570 acres for Gawadar Cantonment and new Gawadar International Airport. This office had requested for advice from ML&C department to obtain proper head of account in which these amount be deposited without any further delay.

The matter was discussed in DAC meeting held in January 2018. DAC directed that revised reply containing updated status be provided to Audit for examination.

Audit stresses upon early deposit of un-utilized funds into Government treasury.

DP-S-63/2017-18

1.8.7 Unjustified retention of Government money – Rs. 3.144 Million

According to Rule-6(A) Financial Regulation, Volume-I, 1986 “every officer should exercise the same vigilance in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own money”.

During the audit of Cantonment Board Faisal, for the financial year 2016-17, it was observed from the cash book of Special Grant-in-Aid that a sum of Rs. 3.144 million was held on charge since 04/2011 till date without recording any reason thereof.

Audit was of the view that retention of money was irregular and reflected weak internal control.

The irregularity was pointed out by Audit in August 2017. The executive replied that notice to the said contractor was being issued for early settlement of the accounts and the balance amount shall be remitted to the Government upon finalization.

The matter was discussed in DAC meeting held in January 2018. DAC directed that objected amount be reconciled with audit and deposited into Government treasury within 02 months.

Audit stresses upon expeditious compliance of DAC directives.

DP-S-195/2017-18

1.9 Recoverable / Overpayments – Rs. 10,253.979 Million

1.9.1 Non-recovery of House Tax from the owners of the properties – Rs. 341.847 Million

According to Para-92 (1) of Cantonment Act 1924, “if a person liable to the payment of any tax does not pay within 30 days from the service of notice of demand pay the amount due or show sufficient cause for nonpayment of the same to the satisfaction of Cantonment Executive Officer such sum with all cost of recovery may be recovered under warrant”.

During audit of the accounts of following (03) Cantonment Boards for the year 2015-16 and 2016-17, it was noticed that an amount of Rs. 341.847 million on account of House Tax was lying outstanding which needed recovery.

(Rs. in Million)

S #	DP No.	Unit / Formation	Amount recovered/ verified	Balance Recovery
1	DP-N-312/2016-17	Cantt Board, Rawalpindi	-	329.854
2	DP-N-420/2016-17	Cantt Board, Nowshera	5.506	5.410
3	DP-N-669/2016-17	Cantt Board, Multan	-	6.583
Total			5.506	341.847

Audit was of the view that non-recovery of outstanding taxes was undue favour to the property holders, lack of accountability and weak internal controls causing loss to Cantt Fund.

The irregularity was pointed out by Audit during 2016-17, the executive replied that out of total objected amount of Rs. 347.353 million, an amount of Rs. 5.506 million was recovered and notices were served upon the defaulters for recovery of the outstanding amount of Rs. 341.847 million.

The matter was discussed in DAC meetings held in August, September, 2017 and January, 2018. Against serial No.2 above, the DAC was apprised that an amount of Rs. 98.000 million had been recovered. The DAC directed to get verified the recovered amount and that balance amount be recovered within three months. No further progress was reported to audit till finalization of this report.

Audit stresses for expeditious implementation of DAC's directive regarding recovery of Rs. 341.847 million and its verification by Audit.

1.9.2 Non-recovery of BTS tower fee from Cellular Companies – Rs. 264.149 Million

According to Military Lands and Cantonment Department Rawalpindi letter No. 50/14/Land/MLC/2005 dated 24th June, 2005, the cellular companies will be required to pay an antenna/tower fee @ Rs. 20,000 per month with annual enhancement of 10% per annum.

During audit of the accounts of following (07) Cantonment Boards for the years 2015-16 and 2016-17, it was noticed that BTS towers/antennas were installed at different locations but tower/antenna fee amounting to Rs. 264.149 million was not recovered from the cellular companies.

(Rs. in Million)

S #	DP No.	Unit / Formation	Amount
1	DP-N-270/2016-17	Cantt Board, Walton	85.301
2	DP-N-273/2016-17	Cantt Board, Chaklala	11.541
3	DP-N-313/2016-17	Cantt Board, Rawalpindi	150.420

4	DP-N-362/2016-17	Cantt Board, Nowshera	2.875
5	DP-N-396/2016-17	Cantt Board, Murree	2.088
6	DP-N-434/2016-17	Cantt Board, Wah	10.113
7	DP-N-588/2016-17	Cantt Board, Risalpur	1.811
Total			264.149

Audit was of the opinion that non-recovery of BTS tower fee was undue favour to the Cellular Companies, lack of accountability and weak internal controls causing loss to Cantt Fund.

The irregularity was pointed out by Audit during 2016-17, the executives replied that notices had already been issued to Cellular Companies for recovery of antenna fee. Amount was required to be received from the concerned companies immediately.

The matter was discussed in DAC meetings held in August, 2017 and January, 2018. The DAC directed to recover the objected amount within 02 months. No further progress was reported to Audit till finalization of this report.

Audit recommends for expeditious recovery from the Cellular companies and its verification by Audit.

1.9.3 Non-deposit of property tax by PTCL – Rs. 150.282 Million

According to Para-92(1) of the Cantonment Act 1924” if a person liable of the payment of any tax does not pay within 30 days from the receipt of notice of demand pay the amount or show sufficient cause of non-payment of the same to the satisfaction of the Cantt Executive Officer such sum with all costs of recovery may be recovered under warrant”.

During audit of the accounts of Cantonment Board Lahore for the year 2014-15, it was noticed that PTCL was holding property No. 165-A situated at Abid Majeed Road and land comprising survey No. 5 situated at Mughalpora Dry Port, had not deposited property tax

amounting to Rs. 247,575,057 for the period 1993-94 to 2013-14. PTCL was a public Limited Company and was not exempted from tax/fee/charges etc. Therefore, the same was required to be recovered.

Audit was of the view that non-recovery of outstanding taxes was an undue favour to the PTCL which shows weak internal controls causing loss to Cantt Fund.

The irregularity was pointed out by Audit in August, 2015, the executive replied that the property tax would be recovered.

The matter was discussed in DAC meeting held in August, 2017. The DAC was apprised that Rs. 97.293 million in respect of property No. 165-A was deposited by PTCL, whereas, the case against the other property was subjudice. The DAC directed to revise the recoverable amount of the para by reducing it to the extent of Rs. 97.293 million and to pursue the court case vigorously. Reported recovery of Rs. 97.293 million has been verified.

Audit recommends expeditious recovery of balance amount in respect of property No. 165-A and pursuance of court case in respect of other property.

DP-N-311/2016-17

1.9.4 Non-recovery of rent of hoardings from the advertisers – Rs. 53.535 Million

Under Section-259 of Cantt Board Act, 1924, any tax or any other money recoverable by a board may be recovered, together with the cost of recovery either by suite or, an application to Magistrate having jurisdiction in the Cantt.

During audit of the accounts of following (02) Cantonment Boards for the year 2015-16, it was noticed that a sum of Rs. 53,535,621 on account of hoarding charges were lying outstanding from the contractors which needed recovery.

(Rs. in Million)

S #	DP No.	Unit / Formation	Amount
1	DP-N-271/2016-17	Cantt Board, Walton	36.560
2	DP-N-599/2016-17	Cantt Board, Multan	16.976
Total			53.536

Audit was of the opinion that non-recovery of hoarding charges was undue favour to the advertisers which shows weak internal controls causing loss to Cantt Fund.

The irregularity was pointed out by Audit during 2016-17, the executives replied that efforts were being made to recover the amount.

The matter was discussed in DAC meetings held in August, 2017 and January, 2018. Against serial No.1 above, the DAC was apprised that an amount of Rs. 25.956 million has been recovered. The DAC directed that recovery made so far be got verified from audit within 02 weeks and remaining amount be recovered. Moreover, the court case filed by “Ultra Care” be pursued vigorously and a brief containing details of the court case be provided to audit within 03 months. No further progress was reported to Audit till finalization of this report.

Audit stresses for an expeditious implementation of DAC’s directive regarding recovery and its early verification by Audit.

1.9.5 Loss to Cantt fund due to less recovery of rent of shops from the tenants – Rs. 51.084 Million

According to Rule-6 of Cantonment Account Code-1955 “every Govt. officer or servant of the Board connected with cantonment Administration shall realize fully and clearly that he will be held personally responsible for any loss sustained by the board through fraud or negligence”.

During audit of the accounts of CB Abbottabad for the year 2014-15, it was noticed that very nominal rent @ Rs. 1,000 per month was being received from the tenants of shops located at Supply Bazar and

Main Cantt instead of prevailing market rate which resulted into undue favour amounting to Rs. 51,084,000 to the tenants.

Audit was of the view that renting out of shops on nominal rates instead of competitive market rates was an undue favour to the tenants which indicates weak internal control on the part of management causing loss to Cantt fund.

The irregularity was pointed out by Audit in October 2014, the executive replied that a committee was constituted on 20th November, 2014 by the President Cantonment Board, Abbottabad for revision of rent of Cantt Fund Property and determination of transfer fee at the time of transfer of Cantt Fund property.

The matter was discussed in DAC meeting held in August, 2017. The DAC was apprised that the case was subjudice in Civil Court Abbottabad. The DAC directed to pursue the case vigorously.

Audit stresses for implementation of DAC's directive and its regular updates to Audit.

DP-N-335/2016-17

1.9.6 Non-recovery of commercialization charges and TIP tax from the owners – Rs. 48.560 Million

According to Para-16(a)(3) of Government of Pakistan Ministry of Defence ML&C Deptt letter No.55/45/Lands/ML&C/99 dated 17th February, 2011, in case of conversion of residential to commercial area, 20% valuation table would be applied.

During audit of the accounts of Cantt Board Walton Lahore for the year 2014-15, it was observed from the approval of commercial building plans in respect of plot No. 66 and 67 situated at main Ghazi Road Walton Cantt, comprising 21 kanals & 2.22 Marlas, that commercialization charges for the commercial building @ 20% and TIP Tax @ 3% of the value of the land fixed by DCO were not recovered which resulted in loss to the Cantt fund amounting to Rs. 48,555,556.

Audit was of the opinion that non-recovery of commercialization charges was undue favour to the property owners, lack of accountability and weak internal controls causing loss to Cantt Fund.

The irregularity was pointed out by Audit in August, 2015, the executive replied that efforts were being made to recover the amount.

The DAC in its meeting held in August, 2017 directed to recover the objected amount besides verification of recovery by audit. No documents regarding recovery or verification thereof were provided to Audit till finalization of this report.

Audit recommends to investigate the matter to fix responsibility on the person(s) at fault besides expeditious recovery of the amount involved and its verification by Audit.

DP-N-272/2016-17

1.9.7 Non-recovery of expenditure on CGH from CB Walton – Rs. 35.795 Million

According to Cantonment Board Resolution No. 14, dated 14th November, 2014, 60% share of expenditure incurred on Cantt General Hospital by Cantonment Board, Lahore was required to be recovered from Walton Cantonment Board.

During audit of the accounts of Cantonment Board Lahore for the year 2015-16, it was noticed that a sum of Rs. 35.795 million on account of 60% share of expenditure incurred on Cantt General Hospital during 2015-16 was not recovered from Walton Cantonment Board which needed recovery.

Audit was of the view that non-recovery of Cantt Board dues was tantamount to loss to Cantt Fund which shows weak internal controls on the part of management.

The irregularity was pointed out by Audit in August, 2016, the executive replied that the efforts were being made to recover the amount.

The DAC in its meeting held in August, 2017 directed to recover the objected amount from Cantt Board, Walton within one month. No further progress was reported to Audit till finalization of this report.

Audit stresses expeditious implementation of DAC's directive regarding recovery and its verification by Audit.

DP-N-457/2016-17

1.9.8 Non deposit of rent of land used for commercial purpose – Rs. 29.980 Million

According to Rule-9(6) of Cantonment Land Administration Rules 1937, the management of Class-C land vests in the Board under Section-108 of the Cantonment Act – 1924”.

Moreover, Government. of Pakistan Ministry of Defence Rawalpindi, vide their letter No. F.2/5/Lands/D-12/DML&C/99 dated 2nd April, 2008 provides that “the rent shall be charged in the light of 1980 Policy Guidelines i.e. @ 6% per annum of existing Revenue Rate of the said land notwithstanding the tenancy/rent agreements of the military authorities with the users”.

During audit of the accounts of Cantonment Board Kamra for the year 2015-16, it was noticed that land measuring 68620.93 sqm was reclassified from A-1 to class C land, vide Govt. of Pakistan MoD ML&C Department letter dated 18th February, 2003. Handing / Taking over of the reclassified land was not held on record. However, a shell petrol pump / CNG, Station Shops, restaurant and shopping plaza were already constructed on this land under the management of PAC Kamra. No rent was paid by the PAC either to Cantonment Board as Class-C land or to Government as A-1 Land. Resultantly, a sum of Rs. 29,980,555 on account of rent of land for the period 2015-16 was recoverable which needed recovery from the management of PAC Kamra.

Audit was of the view that non-recovery of rent from PAC Board, Kamra was violation of Government orders causing loss to Cantt Fund which shows weak internal controls on the part of management.

The irregularity was pointed out by Audit in January, 2016, the executive replied that MRF authorities had already been asked to pay Rs. 29.980 million as observed by the audit.

The DAC in its meeting held in September, 2017 directed to pursue the recovery with PAC Kamra. In this connection MoD (PAC Wing) will send a reference to MoDP for recovery of Canttt Board dues. No further progress was reported to audit till finalization of this report.

Audit recommends to investigate in the matter to fix responsibility on the person(s) at fault besides recovery of Cantt Board dues and its verification by Audit.

DP-N-442/2016-17

1.9.9 Loss to Cantt fund due to non-recovery of composition fee, development charges and House tax – Rs. 22.984 Million

Government of Pakistan Ministry of Defence vide their letter No. 75/853/Lands/92/4970/D-2/ML&C/94 dated 6th November, 1994 provides that “unauthorized construction within the limits of Cantonment Board is an offence and the Board is empowered to demolish the unauthorized construction or regularize it on payment of composition fee”. Further, as per directions contained in ML&C Deptt letter No. 12/36/Lands/ML&C/97 dated 11th August, 2009, “any residential property being used as commercial, the property tax can be imposed on commercial basis w.e.f. the date of its use for commercial purpose”.

During audit of accounts of Cantoment Board, Wah for the year 2015-16, following irregularities were observed: -

A) Mr. Iftikhar constructed a commercial building i.e. Eden Marriage Hall (G/F only) on land measuring 140 marlas at Moza Ghazi Kohli G.T Road Wah Cantt without approval of building plan from Cantt Board. Neither the unauthorized construction was demolished nor Cantt fund dues worth Rs. 13,005,497 was recovered.

B) Similarly, Mr. Fayyaz constructed a commercial building i.e. Margalla Marriage Hall (G/F only) over a piece of land measuring 100 marlas at Losar Sharfoo G.T Road Wah Cantt without approval of building plan from Cantt Board. Neither the unauthorized construction was demolished nor Cantt fund dues worth Rs. 9,978,868 was recovered.

Audit was of the opinion that non-recovery of Cantt Board dues was due to weak financial management and internal controls causing loss to the Cantt Fund.

The irregularity was pointed out by Audit in July, 2016, the executive replied that the owners of the properties had been directed to submit revised building plan for regularization of un-authorized construction. Besides regularization of un-authorized construction, assessment of the property will be finalized and recovered.

The matter was discussed in DAC meetings held in August, 2017 and January, 2018. The DAC directed to finalize the process of regularization within 06 months and recovery of Cantt dues be made accordingly. No further progress was reported to Audit till finalization of this report.

Audit recommends for investigation of matter to fix responsibility on the person(s) at fault besides expeditious implementation of DAC's directive and its verification by Audit.

DP-N-409 and 593/2016-17

1.9.10 Less recovery of Cantt fund dues from the owners of the property holders – Rs. 21.036 Million

Under Section-259 of Cantt Board Act, 1924, any tax or any other money recoverable by a board may be recovered, together with the cost of recovery either by suite or, an application to Magistrate having jurisdiction in the Cantt.

During audit of the accounts of Cantonment Board Gujranwala for the year 2015-16, it was noticed that agricultural land measuring 90 Kanals 1 Marla situated at Mouza Mandyala & Kot Shahan,

G.T. Road Gujranwala Cantt was converted into commercial. The total Cantt fund dues on account of conversion and development charges etc worked out as Rs. 31,449,229 against the owner i.e Khawaja Muhammad Saleh & others but the owners of the property deposited Rs. 10,413,885 only. Remaining cantt fund dues amounting to Rs. 21,036,044 were still lying outstanding against the owners which was required to be recovered.

Audit was of the view that short recovery of Cantonment dues was an undue favour to the property owners which shows weak internal controls on the part of management causing loss to Cantt Fund.

The irregularity was pointed out by Audit in September 2016, the executive replied that efforts were being made to recover the amount.

The matter was discussed in DAC meeting held in January, 2018. The DAC was apprised that an amount of Rs. 17,126,558 out of total objected amount has been recovered. The DAC directed that recovery made so far be got verified from audit within 02 weeks and balance amount be recovered within 04 months. No further progress was reported to Audit till finalization of this report.

Audit recommends investigation of matter to fix the responsibility on the person(s) at fault besides expeditious recovery of the amount involved and its verification by Audit.

DP-N-650/2016-17

1.9.11 Loss to Cantt fund due to excess deduction of GST share – Rs. 19.589 Million

Under the provision of sub clause-(3)(3) of Cantonment (Urban Immovable Property Tax and Entertainment Duty), Presidential Order No.13 dated 22nd August, 1979, 15% of net proceeds of the tax referred to in paragraph (b) of clause (1), collected on or after the commencement of this order, shall be paid by the Cantonment Board to the Provincial Government.

During audit of the accounts of Cantonment Board, Multan for the year 2015-16, it was noticed that an amount of Rs. 19.589 million on account of 15% House Tax was excess deducted by the Provincial Government from the annual GST share for the period July, 2006 to June, 2016. Resultantly, Cantonment Board Multan suffered a loss to the tune of Rs. 19.589 million.

Audit was of the view that excess deduction of GST by Provincial Government without authority resulted into loss to Cantt fund which indicates weak financial and internal controls on the part of management.

The irregularity was pointed out by Audit in January, 2016, the executive replied that the efforts are being made to recover the amount.

The DAC in its meeting held in January, 2018 directed that objected amount be recovered and reconciled with audit besides verification of recovery within 02 weeks. No further progress was reported to Audit till finalization of this report.

Audit stresses for expeditious recovery of the amount involved and its verification by Audit.

DP-N-668/2016-17

1.9.12 Loss to Cantt fund due to non-recovery of premium from owners of the shops – Rs. 16.728 Million

According to Rule-23 read in conjunction with Rule-47 of Cantonment Land Administration Rules – 1937, “the successful bidder shall be required to deposit immediately 10 percent of the amount of his bid and to sign an agreement consenting to forego the deposit in case the balance of the price is not paid within thirty days of the confirmation of the auction”.

During audit of the accounts of Cantonment Board, Nowshera for the year 2015-16, it was noticed that an amount of

Rs. 16,727,500 was lying outstanding on account of premium against the owners of the shops situated at Bismillah Plaza, Nowshera Cantt.

Audit was of the opinion that non-recovery of Cantt Fund dues was undue favour to the tenants and weak internal controls on the part of management causing loss to Cantt Fund.

The irregularity was pointed out by Audit in January, 2016, the executive replied that notices had been served upon the defaulting tenants for an early recovery on account of premium of shops.

The DAC in its meeting held in August, 2017 directed to verify the recovery made so far and balance amount be recovered within 02 Months. No further progress was reported to Audit till finalization of this report.

Audit recommends to investigate the matter to fix responsibility on the person(s) at fault besides taking steps for expeditious recovery of amount involved and its verification by Audit.

DP-N-276/2016-17

1.9.13 Loss to Cantt fund due to non-recovery of composition fee – Rs. 14.884 Million

According to provision of section-181(6) of the Cantonment Act,1924 and as also clarified by the DGML&C vide letter dated 12th May, 2013, building plans submitted to the Cantonment Board should be disposed off within 30 days from the date of its submission. Further, as per DGML&C letter No. 25/853/Lands/92/4970/D-12/ML&C/94 dated 6th November, 1994, regarding unauthorized construction, it has been directed that in case of serious violation of Building by-Laws, the composition fee at minimum of 10% of assessed capital cost of land and building should be charged.

A) During audit of the accounts of Cantonment Board Wah for the year 2013-14, it was noticed that lessees/owners of different properties in Cantonment limit submitted their revised building plans for approval and regularization of un-authorized construction. The Building Committee

scrutinized the said plans and placed before the Board with the recommendation for approval subject to payment of composition fee @ Rs. 15% to 25%. However, neither building plans were approved nor demolished which resulted into loss to Cantt fund due to non-imposition of composition fee amounting to Rs. 8,650,337.

B) During audit of the accounts of Cantonment Board Nowshera for the year 2015-16, it was noticed that Property No. 1224 comprising survey No 269/961/6 situated at Khushal colony Nowshera Cantt was held on lease for commercial purpose in the names of Mr. Sarwar Muzzaffar and Zahid Muzzaffar S/o Mian Muzaffar. The lessee deviated the building plan approved on 30th June, 2010 and submitted revised plan to the Board. The Board approved the revised building plan vide CBR No. 24 dated 29th April, 2016 by imposing composition fee amounting to Rs. 6,234,123 which was not yet recovered.

Audit was of the view that non-recovery of composition fee was due to weak internal controls on the part of management causing loss to Cantt fund.

The irregularity was pointed out by Audit in March, 2014 and September, 2016, the executives replied that the regularization action against (A) above was in process whereas in other case the owner of the property was directed to deposit composition charges but he refused to receive the notice.

The matter was discussed in DAC meeting held in September, 2017. Against serial (A) above, the DAC pended the para till finalization of requisite policy. In the other case, the DAC directed to recover the composition fee as approved by the Board i.e. Rs. 6.234 million within three months failing which the case for determination of lease be initiated and finalized. No further progress was reported to Audit till finalization of this report.

Audit recommends to investigate into the matter to fix responsibility on the person(s) at fault besides expeditious implementation

of DAC's directives regarding recovery of composition fee and its verification by Audit.

DP-N-554 and 418/2016-17

1.9.14 Loss to Cantt fund due to non-recovery of outstanding rent – Rs. 13.600 Million

According to Para – 92 (1) of the Cantonments Act 1924, “if a person liable to the payment of any tax does not pay within 30 days from the receipt of notice of demand pay the amount due or show sufficient cause of non-payment of the same to the satisfaction of the Cantonment Executive Officer such sum with all costs of recovery may be recovered under warrant”.

During audit of the accounts of Cantt Board Rawalpindi for the year 2014-15, it was noticed that an amount of Rs. 13,600,014 was outstanding against M/s Ch. Saroop Chand Anand on account of rent of shop No. D-Block, CGM, Kashmir Road Rawalpindi since long and no concrete efforts were made to recover the outstanding amount.

Audit was of the opinion that non-recovery of rent was due to weak financial management which caused a loss to the Cantt Fund.

The irregularity was pointed out by Audit in September, 2015, the executive replied that an old dispute regarding recovery of rent of the shop was outstanding between the RCB and M/s Ch. Saroop Chand Anand. The tenant Miss. Jyoti Anand D/o Saroop Kumar Anand had submitted an application dated 29th May, 2015 requesting for authority to raise the amount of rent received from tenants to pay off the dues to the Cantt Board. However, no amount was received as yet.

The matter was discussed in DAC meeting held in August, 2017. The DAC was apprised that out of the total objected amount, Rs. 4,800,000 has been recovered and balance amount will be recovered within 02 years. The DAC directed to get verified the reported recovery of Rs. 4.800 million from audit and balance amount of Rs. 8.800 million be

recovered within 02 months. No further progress in the matter was reported to Audit till finalization of this report.

Audit stresses for an expeditious implementation of DAC's directive regarding recovery and its verification by Audit.

DP-N-314/2016-17

1.9.15 Loss to Cantt fund due to non-recovery of T.I.P Tax – Rs. 9.800 Million

According to Notification No. S.R.O 382(1)/94 dated 3rd May, 1994. “the Federal Government hereby imposes a tax on the transfer of immovable property (lands and building) payable by the transferee at the rate of three percent of the consideration money of such property as recorded in the sale deed or as assessed by the Cantonment Executives Officer for the purpose of assessment of tax as market value of the property whichever is higher.”

During audit of accounts of Cantt Board, Walton for the year 2015-16, following irregularities were observed: -

A) Land measuring 18561.61 sq. ft was transferred/purchased by four persons in four deals but TIP tax was not deposited by the purchasers. The omission thus resulted into non-recovery of TIP Tax on commercial basis amounting Rs. 7,059,938.

B) Similarly, Plot No. 237, measuring 02 Kanal Phase-5 Block-F Residential area situated at DHA Lahore, was purchased by Mian Farooq Kabir, but TIP tax amounting to Rs. 1,740,000 was not deposited by the purchaser.

Audit was of the opinion that non-recovery of TIP tax was due to weak financial management and internal controls causing loss to Cantt fund.

The irregularity was pointed out by Audit in August 2016, the executives replied that challan for payment of the same were issued, and the final outcome would be intimated to Audit.

The matter was discussed in DAC meeting held in January, 2018. The DAC was apprised that DHA authority has been asked for present status of the owners. The DAC directed to provide revised reply covering all aspects of the para supported by relevant documents within 02 weeks. Recovery be pursued with DHA. No further progress was reported to Audit till finalization of this report.

Audit recommends to hold court of inquiry and fix responsibility on the person(s) at fault besides expeditious implementation of DAC's directive regarding recovery of TIP tax and its verification by Audit.

DP-N-62 and 63/2017-18

1.9.16 Non-recovery of outstanding dues – Rs. 4,980.993 Million

Section 92 of Cantonment Act, 1924(1) states that if the person liable of the payment of any tax dues not, within thirty days from the service of the notice of demand, pay the amount due, or show sufficient cause of non-payment of the same to the satisfaction of the Executive Officer such sum with all costs of recovery may be recovered under a warrant, issued in the form set forth in schedule II, by distress and sale of the movable property of the defaulter.

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed that huge amount of Rs 4,980.993 million was outstanding on account of various taxes/fees i.e. Property, Conservancy, Building, Hoardings etc. against various residential and commercial units. The details are as under: -

(Rs. in million)

S.No	Cantonment Board	Outstanding Amount
1	CB Clifton	529.047
2	CB Faisal	771.779
3	CB Karachi	25.667
4	CB Quetta	3,654.50
	Total	4,980.993

Audit was of opinion that the non-recovery of Government dues reflected poor performance of Cantonment Boards towards recovery.

Non-recoveries were pointed out by Audit in June 2017. The executives replied that the audit observation had been noted for compliance.

The matter was discussed in DAC meeting held in October 2017. The executives agreed for effecting recovery as pointed out. DAC directed that recovery made so far be got verified from Audit and balance amount be recovered within 3 months. DAC further directed to pursue the court cases vigorously and provide details of the court cases to Audit for examination.

Audit stresses upon implementation of DAC directives.

SAR Para No. 4.3.1

1.9.17 Non-recovery of cantonment taxes – Rs. 1,365.030 Million

Section-92 of Cantonments Act, 1924, states that if a person liable for payment of any tax does not, within thirty days from the service of the notice of demand, pay the amount due, or show sufficient cause for non-payment of the same to the satisfaction of the Executive Officer, such sum, with all costs of the recovery, may be recovered under a warrant, issued in the form set forth in Schedule II, by distress and sale of the movable property of the defaulter.

During audit of following Cantonment Boards for the financial years 2015-16 and 2016-17, it was observed that an amount of Rs. 1,365.03 million was outstanding on account of house tax, conservancy tax and water charges etc, which was not recovered as required under the rules.

(Rs. in million)

S.No.	Name of Unit	DP No.	Amount
1	CB Faisal	S-194	926.768
2	CB Clifton	S-138, S-140 & S-141	107.66
3	CB Quetta	S-166 & S-196	97.129

4	CB Karachi	S-228	92.180
5	CB Hyderabad	S-287, S-291 & S-292	90.138
6	CB Malir	S-259	33.121
7	CB Korangi Creek	S-144 & S-155	18.034
Total			1365.03

Audit was of the view that slow recovery process led to accumulation of arrears.

Non-recoveries were pointed out by Audit in September, 2017 and November, 2017. It was replied that efforts were being made to recover the outstanding amount.

The matter was discussed in DAC meetings held in January 2018. DAC was apprised that partial recoveries had been made in some cases and efforts were being made to recover the balance amount. DAC directed the executive to recover the balance amount in full and get the recoveries verified from Audit.

Audit recommends expeditious recovery of outstanding dues.

1.9.18 Non-recovery of building plan fees – Rs. 591.723 Million

As per Rule-178-A, of Cantonment. Act (II of 1924), no person shall erect or re-erect a building on any land in a cantonment, except with the previous sanction of the Board, nor otherwise than in accordance with the provisions of this Chapter and of the rules and by-laws made under this Act relating to the erection and re-erection of buildings. As per Rule-179 (1), whoever intends to erect or re-erect any building in a cantonment shall apply for sanction by giving notice in writing of his intention to the Board.

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed in Cantonment Board Clifton that buildings were constructed on 123 amenity plots without getting building plans approved by the CBC in violation of rules. This resulted into non-

recovery of Rs. 591.723 million on account of building plan fees (details annexed).

Non-recovery was pointed out by Audit in June 2017 but no reply was received.

The matter was discussed in the DAC meeting held in October 2017. The executive stated that DHA being a developing agency had constructed buildings on amenity plot at their own without consent of CBC. However, CBC taxes i.e. House Tax, Conservancy and TIP tax were being recovered accordingly. DAC directed that the issue be taken up with DHA for illegal construction on amenity plots immediately and got regularized / finalized within 03 months.

Audit stresses upon implementation of DAC directives expeditiously.

SAR Para No. 4.2.5/2017-18

1.9.19 Non-deposit of government share against sale proceeds of land – Rs. 217.90 Million

According to Rule-11 of CLAR 1937, all receipts from land entrusted to the management of the Military Estates Officer shall be credited in full to the Central Government.

During audit of MEO Quetta, it was observed that Rs. 653.526 million had been deposited into QMG fund by the office of MEO Quetta as 75% share, vide Ministry of Defence letter, dated 11/11/2003. However, 25% share of the government of Rs. 217.90 million was not deposited into Federal Consolidated fund as required under above mentioned rule. This deprived Government of its due share in revenue.

Non-deposit was pointed out by Audit in November 2016. The executive replied that total amount received on account of auction of 54 plots and conversion of lease from residential to commercial was deposited into QMG fund. The reply was not tenable, as 25% government share was not deposited into government treasury as per instructions contained in above mentioned MoD letter dated 11/11/2003.

The matter was discussed in DAC meeting held in January 2018. DAC directed that the Deptt (HQ ML&C) to send a reference to MoD for seeking clarification on Ministry of Defence letter no. F.48/49/S/GHQ/F.2/18/D-12/2003, dated 6th Nov 2003 within 02 months.

Audit recommends expeditious deposit of government share in treasury.

DP-S-182/2017-18

1.9.20 Non-deposit of rent/sky charges from cellular companies into government treasury – Rs. 214.088 Million

As per policy for installation of Tower Base Transmission in Cantonment area circulated through ML&C Department Rawalpindi vide letter No.51/1411/Lands/ML&C/2005 dated June 24, 2005 “on provision of NOC agreement will be executed with cellular companies to install Base Transmission Station Towers/antennas in Cantonment area.” The cellular companies will require to pay an antenna/tower fee @ Rs. 40,000 (at A-I Land) and Rs. 20,000 (at C-I Land) per month with an annual increase of 10%.

During audit of following Cantonment Boards, for the financial year 2016-17, it was observed that Base Transmission Station Towers were installed by cellular companies on A-1 land but rent/sky charges collected by them were not deposited into Government treasury as under:

(Rs. in million)

S. No	Name of Unit	DP No.	No. of Towers	Amount
1	CB Quetta	DP-S-189	37	131.567
2	CB Malir, Karachi	DP-S-191	29	82.488
T o t a l			66	214.055

That indicated clear violation of standing instructions of existing policy. Due to which Cantonment Board was deprived its revenue.

Non-deposit was pointed out by Audit in August 2017. The executive stated that all cellular towers as pointed out by Audit were installed on A-1 land. The case would be initiated with the Army authorities for the purpose.

The matter was discussed in DAC meeting held in January 2018. DAC directed the executives to pursue the recovery of rent/ sky charges from concerned Army authorities. Besides, Army representative would also be called in next DAC meeting.

Audit stresses upon early recovery of government revenue as per rules.

1.9.21 Non-recovery of sales tax on services – Rs. 191.407 Million

As per Sindh Revenue Board’s Notification No: SRB-3-4/8/2013 dated 1st July, 2013, services provided or rendered by persons engaged in contractual execution of work or furnishing supplies is liable to pay 13% Sindh sales tax on their rendered services. Furthermore, companies who render maintenance or cleaning services are subject to pay 10% Sindh sales tax on received payments.

During audit of following Cantonment Boards, for the financial year 2016-17, it was observed that an amount of Rs. 191.407 million was not deducted on account of Sindh sales tax as required under the rules as under: -

(Rs. in million)

S No.	Name of Unit	DP No.	Amount
1	CB Clifton, Karachi	DP-S-135	92.465
2	CB Clifton, Karachi	DP-S-136	82.488
3	CB Hyderabad	DP-S-300	16.454
T o t a l			191.407

Audit was of view that due to non-observance of rules, Government exchequer was deprived of hefty revenue on account of sales tax.

Non-recovery was pointed out by Audit in September 2017 & November 2017. The executive replied that sales tax was neither paid nor deducted from contractor as the contract was executed within cantonment limits where sales tax on services was not applicable. The reply was not tenable, as sales tax on services was applicable without any exemption.

The matter was discussed in DAC meeting held in January 2018. The DAC directed that a meeting would be held between AS-II and MAG and decision would be conveyed to all concerned for compliance.

Audit stresses upon recovery of government revenue as per law/rules.

1.9.22 Non-recovery of taxes from commercial activities on A-1 land – Rs. 93.750 Million

Section 68 of Cantonment. Act, 1924 provided that the Board shall, at the same time, give public notice of a date, not less than one month thereafter, when it will proceed to consider the valuations and assessment entered in the assessment list, and, in all cases in which any property is for the first time assessed or the assessment is increased, it shall also give written notice thereof to the owner and to any lessee or occupier of the property.

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed that Cantonment Board Faisal had not issued tax demand notice to various commercial buildings/properties for realization of cantonment board taxes. It was further revealed that the building plan and sanction of erection of building were not available on the record of Cantonment Board. Neither any remedial measures towards stoppage/demolition of building were initiated by the Board, nor Cantonment Board charged scrutiny fees and building approval plan fees. The details are as under: -

(Rs. in million)

S.No	Name of Activity	Location	Period in Years	Estimated Tax Collection Per year	Total tax collection
1.	Bahria University	Dalmia Road.	20	3.000	60.000
2.	Base Montessori School PAF	Shahra-e-Faisal	20	0.500	10.000
3.	Shell Petrol Pump	Askari VI, Rashid Minhas Road	15	0.250	3.750
4.	Maham Banquet.	COD Rashid Minhas Road.	2	0.400	0.800
5.	Pearl Banquet.	COD Rashid Minhas Road.	2	0.400	0.800
6.	The Venue Banquet.	Askari-IV, Rashid Minhas Road.	2	0.400	0.800
7.	Bakari Pump	Shahra-e-Faisal	10	0.250	2.500
8.	UBL Bank	Dalmia Road.	10	0.150	1.500
9.	Allied Bank	Dalmia Road	10	0.150	1.500
10.	Hascol Pump.	Shahra-e-Faisal	10	0.250	2.500
11.	Master Apollo Motor	Dalmia Road	10	0.250	2.500
12.	Suzuki Motors	Shahra-e-Faisal	10	0.150	1.500
13.	Liyari Development Authority Office	Dalmia Road	10	0.300	3.000
14.	Interwood Housing Society	Dalmia Road	10	0.200	2.000
15.	Fiazia Office	Shahra-e-Faisal	2	0.300	0.600
Total					93.750

That reflected poor financial management causing loss to public exchequer.

Non-recoveries were pointed out by Audit in June 2017. The executive replied that necessary notices to the property holders would be served for determination of the valuation/taxes and action would be completed according to laid down rules and procedure.

The matter was discussed in DAC meeting held in October 2017. The executive replied that necessary notices had been served to the concerned and outcome would be intimated accordingly. DAC pended the

portion of the para regarding recovery of property tax till amendment in A-1 Land Policy 2008. However, DAC directed that recovery of conservancy taxes be made expeditiously after fulfilling all the procedural requirements. No progress was reported till finalization of this report.

Audit stresses upon realization of conservancy tax on commercial activities as per A-1 land policy.

SAR Para No. 4.1.7/2017-18

1.9.23 Non-recovery of composition fee – Rs. 81.90 Million

Section 90 of Cantonment Act, 1924 provided that (1) when any tax has become due; the Executive Officer shall cause to be presented to the person liable for the payment thereof a bill for the amount due. Under Rule 26 Note ix(a) of CLA Rules-1937 stipulates that an encroachment is an unauthorized occupation of Government land and should not be permitted to remain in existence under any circumstances unless it is properly regularized.

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed in Karachi Cantonment Board that building plan of a project namely Chapal Navinta Mall on Plot No.221, Saddar Karachi comprising Basement (Lower), upper Basement, Ground + 9th floor was approved by KCB in 1999. However, the builder deviated from the approved plan and constructed the excess area of 42,685.14 sft. No action was taken by KCB to demolish the unauthorized construction. For above deviation, a proposal for imposition of composition fee amounting to Rs. 81.853 million was placed before Board who constituted a special committee, for scrutiny of proposal. On recommendations of the report of special committee, notices were to be issued to remove the illegal part of the building. Despite passage of considerable time period, neither the unauthorized area was demolished, nor composition fee amounting to Rs. 81.853 million was recovered from the builder.

This was pointed out by Audit in June 2017. The executive replied that the case was subjudice in the Honorable High Court of Sindh.

The matter was discussed in DAC meeting held in October 2017. The executive stated that case was subjudice and order was still awaited. DAC directed to pursue the court case vigorously and provide details of the court case to Audit. No record was produced to Audit regarding court proceedings till finalization of this report.

Audit stresses upon implementation of DAC directives.

SAR Para No. 4.3.2/2017-18

1.9.24 Non-deduction of income tax from contractors – Rs. 54.027 Million

According to Section 236 of Income tax ordinance 2001, the newly enhanced tax rate under head “Auction” is 10%.

During audit of following formations, for the financial years 2015-16 and 2016-17, it was observed that an amount of Rs. 54.027 million was collected from contractors on account of hoarding charges but income tax @ 10% amounting to Rs. 1.438 million was not recovered from them as under:

(Rs. in million)

S No	Name of Unit	DP No.	Amount
1	MEO Quetta	DP-S-58	39.025
2	CB Quetta	DP-S-201	0.764
3	CB Quetta	DP-S-202	1.438
4	CB Faisal	DP-S-206	12.800
Total			54.027

Non-recovery of applicable taxes reflected weak financial management within Cantonment Boards causing loss to public exchequer.

Non-recovery was pointed out by Audit in November 2016 & August 2017. The executive replied that the case was being taken up with the concerned for recovery of income tax. The reply was not tenable, as it was responsibility of the Cantonment Board to effect recovery.

The matter was discussed in DAC meeting held in January 2018. DAC was informed that partial recovery had been effected. DAC

directed that income tax be recovered as per applicable rates and got verified from Audit. No record was produced to Audit till finalization of this report.

Audit recommends expeditious recovery of pointed out amount.

1.9.25 Non-recovery of scrutiny fee – Rs. 38.933 Million

According to Section 1 of Cantonment Act 1924, Cantonment Board Building control within the limits of the Cantonment Board concerned would be regulated under the provisions of the Cantonments Act 1924. The Provincial Law on the subject would not be applicable to the buildings erected or intended to be constructed on a plot situated within the territorial limits of Cantonment Board concerned 1992, MLD 2259(e).

During audit of following Cantonment Boards, for the financial years 2015-16 & 2016-17, it was observed that scrutiny fee amounting to Rs. 38.939 million was not recovered from the management of commercial activities as under:

(Rs. in million)

S.No	Cantonment Boards	DP No.	Activity	Total Area Sqft	Scrutiny Fee
1	CB Malir	DP-S-211	ASF Tower	1609,057	24.13
2	CB Faisal	DP-S-207	Naval Housing Scheme Phase II at Main Shakra-e-Faisal	450,000	9.00
3	CB Faisal	DP-S-203	Marriage Lawn near Askari IV	200,000	4.00
4	CB Faisal	DP-S-208	Askari IV Shopping Mall	90140	1.803
Total					38.933

Audit was of view that non-recovery of the fee resulted into loss of revenue to Cantonment fund.

Non-recovery was pointed out by Audit in August 2017. The executive replied that as per Section-179(1) of Cantonment Act 1924, military authorities did not submit building plan for the approval to Board and policy was silent about approval of building plan by the Cantonment Board. Furthermore, approval of building plan in respect of ASF was under process. The reply was not tenable, as scrutiny fees was required to be recovered, as above mentioned schemes were private commercial/ housing activities. Moreover, Board has jurisdiction over all area of Cantonment Board regardless of type of land.

The matter was discussed in DAC meeting held in January 2018. DAC directed the executive at S No.1 to recover the amount after the approval of plan. DAC directed other executives to seek clarification from MoD on the subject matter.

Audit stresses upon expeditious compliance of DAC directives.

1.9.26 Excess payment made to conservancy contractors – Rs. 36.531 Million

Under Rule-71(3) of the Cantonment Boards Budget Rules, 1966, the Executive Officer shall ensure that no expenditure is incurred without proper justification. Under Rule-2(A)(4) (iv) of Cantonment Accounts Code 1955, public money should not be utilized for the benefit of a particular person or section of community.

During audit of Cantonment Board Clifton, Karachi, for the period 2015-16 & 2016-17, it was observed that an amount of Rs 36.531 million was paid to contractors against conservancy services rendered. Audit noticed that the payment was made in excess of the contractual value for the period 16-08-2015 to 31-05-2017 as under: -

(Rs. in million)

S #	Contractor	Contractual amount as per agreement (per month)	Amount to be paid	Amount actually paid	Excess payment
1	M/s. Nasir Jan	23.759	510.836	535.319	24.483
2	M/s. Amir Sawab & Brothers	14.417	309.993	322.041	12.048
Total					36.531

Excess payment reflected weak financial management within Cantonment Boards.

Excess payment was pointed out by Audit in August 2017. The executive replied that no excess payment had been made to the contractors. Due to increase in the population, the Board enhanced the manpower and machinery of conservancy contractors and increased the contractual amount to the tune of Rs 1.604 million per month with effect from 05-11-2016 vide Board Resolution No: 35 dated 01-11-2016. The reply was not tenable, as undue benefit was extended with retrospective effect.

The matter was discussed in DAC meeting held in January 2018. DAC directed that revised reply containing all the aspects and supported by relevant record be provided to Audit for verification.

Audit requires proper justification fully supported with documentary evidence.

DP-S-142/2017-18

1.9.27 Non-recovery of property and conservancy tax against commercial activities – Rs. 35.773 Million

Section 68 of Cantonment Act 1924, provided that the Board shall, at the same time, give public notice of a date, not less than one month thereafter, when it will proceed to consider the valuations and assessment entered in the assessment list, and, in all cases in which any property is for the first time assessed or the assessment is increased, it shall also give written notice thereof to the owner and to any lessee or

occupier of the property. Furthermore, under Rule-2(A)(1) of the Pakistan Cantonments Account Code, 1955, it is laid down that the Executive Officer is the principal Executive Officer of the Board and all other officers and servants of the Board are subordinate to him. He is the officer, who has been entrusted by Government with the responsibility of assessing and collecting Cantonment revenues.

During audit of following Cantonment Boards, for the financial year 2016-17, it was observed that various commercial properties had been constructed on A-1 land. However, neither Building Plans had been approved by Cantonment Boards nor tax assessment had been made. The details are as under:

(Rs. in million)

S No	Cantonment Boards	DP No	Amount of Tax
1	CB Malir	DP-S-253	22.473
2	CB Faisal	DP-S-204	7.00
3	CB Faisal	DP-S-214	6.300
Total			35.773

Due to non-assessment, the Cantonment Boards were deprived of revenue of Rs. 35.773 million on account of conservancy tax and property tax.

The recoveries were pointed out by Audit in August 2017. The executive replied that ML&C department had intimated that action on imposition of taxes on commercial properties constructed on A-1 land may be pended till decision of the Ministry of Defence. However, case would be initiated with concerned military authorities for assessment of taxes. The reply was not tenable, as there was no exemption from taxes allowed to a commercial activity on any type of land.

The matter was discussed in DAC meeting held in January 2018. DAC directed that clarification may be sought from MoD on the subject matter.

Audit stresses upon expeditious compliance of DAC directives.

1.9.28 Non-recovery of property and conservancy tax from Arena Club – Rs. 35.000 Million

Section 68 of Cantonment. Act, 1924 provided that the Board shall, at the same time, give public notice of a date, not less than one month thereafter, when it will proceed to consider the valuations and assessment entered in the assessment list, and, in all cases in which any property is for the first time assessed or the assessment is increased, it shall also give written notice thereof to the owner and to any lessee or occupier of the property. Section 90 of Cantonment Act,1924.

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed that tax collection record of Cantonment Board Faisal did not reflect collection of property and conservancy taxes of Arena Club Karachi. However, Arena Restaurant was assessed only for Rs. 1.656 million whereas rest of the activities of Arena Club remained un-assessed which caused a loss of Rs. 35.000 million as under:

(Rs. in million)

Description of Activity	Amount of 15% Property tax	Amount of 4% Conservancy tax	Total Annual taxes	Total amount (5years)
ICE Skating.	0.394	0.105	0.500	2.500
Bowling Alley.	0.394	0.105	0.500	2.500
X-Live Games.	0.236	0.063	0.300	1.500
Pool Tables	0.078	0.021	0.100	0.500
Kiddy Rides.	0.157	0.042	0.200	1.000
Arcade Games	0.157	0.042	0.200	1.000
Just Kidding.	0.078	0.021	0.100	0.500
Rock Climbing	0.236	0.063	0.300	1.500
One Shot Mini Golf	0.394	0.105	0.500	2.500
Indoor Cricket.	0.394	0.105	0.500	2.500
Roico Bull	0.157	0.042	0.200	1.000
Desserts/Martial Bar	0.157	0.042	0.200	1.000
Gymnasium	0.157	0.042	0.200	1.000
Banquet Hall	0.394	0.105	0.500	2.500
Jada Hall	0.394	0.105	0.500	2.500

Dareecha Hall	0.394	0.105	0.500	2.500
Jharoka Hall	0.394	0.105	0.500	2.500
Dee wan-e-Khas Hall	0.394	0.105	0.500	2.500
Birthday party Hall	0.236	0.063	0.300	1.500
Samar Hall.	0.157	0.042	0.200	1.000
Restaurants.	0.157	0.042	0.200	1.000
Total				35.000

Non-assessment of commercial activities deprived Cantonment board of hefty revenue.

Non-recovery was pointed out by Audit in June 2017. The executive replied that notices to the concerned property holders would be served for determination of the proper valuation/taxes.

The matter was discussed in DAC meeting held in October 2017. the executive stated that notices had been served and final outcome would be intimated accordingly. DAC pended the portion of the para regarding recovery of property tax till amendment in A-1 land Policy 2008. However, DAC directed that ARV be reassessed and conservancy taxes be recovered within 2 months. No progress was made till finalization of this report.

Audit stresses upon implementation of DAC directives expeditiously.

SAR Para No. 4.3.4/2017-18

1.9.29 Non-deposit of forfeited amount into Federal Consolidated Fund – Rs. 23.405 Million

As per Article 78 of Constitution of Pakistan, receipt of any kind is required to be deposited into Federal Consolidated Fund. According to Rule 11 of CLA Rules 1937, all receipts from land entrusted to the management of the Military Estates Officer shall be credited in full to the Central Government.

During audit of MEO Quetta, for the financial year 2015-16, it was observed that as per letter ML&C Deptt. UO No: 44/23/lands/ML&C/78-G dated - Aug 2009, QMG office forfeited a sum of Rs. 23.405

million of different individuals against various plots. However, forfeited amount was not deposited into Federal Consolidated Fund as under:

(Rs. in million)

S No	Plot No	Amount
1	118	0.742
2	148	1.194
3	149	12.250
4	161	0.860
5	162	8.359
Total		23.405

Non-deposit of fund was due to weak financial management which resulted into loss of revenue.

This was pointed out by Audit in November 2016. The executive replied that the amount of the subject five plots had already been deposited in QMG fund.

The matter was discussed in DAC meeting held in January 2018. DAC directed that the Deptt (HQ ML&C) to send a reference to MoD for seeking clarification of Govt of Pakistan Ministry of Defence letter no. F.48/49/S/GHQ/F.2/18/D-12/2003, dated 6th Nov 2003 within 02 months.

Audit requires for evidence of deposit of forfeited amount into Government treasury.

DP-S-134/2017-18

1.9.30 Non-deposit of income tax collected from contractors – Rs. 20.003 Million

As per Rule 5 of General Financial Rules (GFR), moneys received as dues of Government or for deposit in the custody of Government should be credited into the Public Account in accordance with the Treasury Rules. Furthermore, as per Rule 26 of GFR, it is the

duty of controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and credited to public account.

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed in Cantonment Board Quetta that an amount of Rs 20.003 million was collected from various contractors but the same was not remitted to the Income Tax department as required under the rules. The details are as under:

(Rs. in million)		
S.No	Details	Non-deposited amount
1	Hoarding Contractor	2.078
3	Auction Contractor	17.515
2	Parking Contractor	0.41
Total		20.003

Audit was of view that non-deposit of income tax into treasury deprived Government of its potential revenue.

Non-deposit was pointed out by Audit in June 2017, but no reply was furnished.

The matter was discussed in DAC meeting held in October 2017. The executive apprised that income tax was being deposited to FBR regularly. However, audit informed that amount deducted has been illegally withheld by the Board and not remitted to FBR. DAC directed that the amount deposited/remitted be got verified from Audit within one month. No record was produced to Audit till finalization of this report.

Audit stresses upon verification of paid challans expeditiously.

SAR Para No. 4.6.2/2017-18

1.9.31 Less deposit of income tax into government treasury – Rs. 15.205 Million

As per Rule 5 of General Financial Rules (GFR), moneys received as dues of Government or for deposit in the custody of Government should be credited into the Public Account in accordance

with the Treasury Rules. Furthermore, as per Rule 26 of GFR, it is the duty of controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and credited to public account.

During audit of following Cantonment Boards, for the financial years 2015-16 & 2016-17, it was observed that income tax amounting to Rs. 16.714 million was deducted from the bills of suppliers & contractors but Rs. 2.508 million only were deposited into government treasury which resulted into less deposit of Rs. 15.205 million.

(Rs. in million)

S#	Name of Unit	DP No.	Amount
1	CB Korangi Creek, Karachi	DP-S-172	9.866
2	CB Clifton, Karachi	DP-S-152	5.339
T o t a l			15.205

Audit held the view that less deposit of income tax caused loss of revenue to government exchequer.

This was pointed out by Audit in September 2017 & October 2017. The executive replied that less deposit as pointed out by the Audit was being pursued. The reply was not tenable, as Cantonment Board did not remit the amount on time to FBR/Govt. Treasury.

The matter was discussed in DAC meeting held in January 2018. DAC was appraised that partial amount has been deposited into Government treasury by Karachi Cantonment Board, whereas, balance amount would be deposited by 30th June 2018. Cantonment Korangi Creek informed that case would be referred to DML&C for advice on the subject matter. DAC directed that the amount be deposited into Government treasury and got verified from Audit within 15 days. No record was produced for verification till finalization of this report.

Audit stresses upon deposit of government revenue expeditiously.

1.9.32 Less recovery of property tax from Quetta Club – Rs. 13.635 Million

Section 68 of Cantonment Act, 1924 provided that the Board shall, at the same time, give public notice of a date, not less than one month thereafter, when it will proceed to consider the valuations and assessment entered in the assessment list, and, in all cases in which any property is for the first time assessed or the assessment is increased, it shall also give written notice thereof to the owner and to any lessee or occupier of the property. Section 90 of Cantonment Act, 1924.

During audit of Cantonment Boards for the period 2011-2012 to 2015-16, it was observed that Quetta Club was leased out and its ARV was fixed at Rs. 0.205 million and property tax @ 15% for Rs 30,865 in 1976. However, even after the lapse of 50 years, ARV had not been revised, though it was required to be revised after every three years. Moreover, audit team in 2010-11 had suggested the proposed ARV at Rs 90.900 million with proposed property tax @ 15% for Rs. 13.635 million. The proposal of audit in this regard was not considered. This resulted into less recovery of tax for Rs 13.635 million as under: -

(Rs. in million)

Status of Land	B-3
Total Area	17.430 Acres
ARV for Taxation Purpose on 31-3-1967	Rs 0.206
Annual Tax	Rs 0.031
Proposed ARV	Rs 90.91
Proposed property tax @ 15%	Rs 13.635

Audit was of view that less recovery of property tax caused loss to cantonment fund.

Non-recovery was pointed out by Audit in June 2017. The executive replied that the assessment of Quetta Club would be considered in the light of audit observation.

The matter was discussed in DAC meeting held in October 2017. The executive replied that the case was being placed before the Board for re-assessment of Quetta Club. DAC directed that ARV of the property and property tax be calculated/reassessed and recovery be made accordingly. No progress was reported till finalization of this report.

Audit stresses upon implementation of DAC directives expeditiously.

SAR Para No. 4.3.9/2017-18

1.9.33 Non-deposit of government share of commercial activity into government treasury – Rs. 8.942 Million

According to Rule-37(a) of Financial Regulations Vol. I 1986 (Army & Air Force), all losses, whether of public money or of stores, shall be subjected to a preliminary investigation by the officer in whose charge they were, to ascertain the cause of the loss and the amount involved.

During audit of MEO Karachi, for the financial year 2015-16, it was observed that A-1 land measuring 1600 Sq yard of bungalow No 252/A R.A lines Karachi was allotted to Pakistan Ordinance Factory (POF). The land meant for defence purpose was used for commercial activity (rented out to National Bank etc.) without conversion of lease. Neither approval from Service Chief for the usage of defence land for commercial activity was furnished, nor was government share of revenue generated from the activity deposited into government treasury.

(Rs. in million)

Area	@ per Sq Yard (Rs)	Cost of land	Govt Share (25% of 6%)	Years (2008-2016)	Amount to be deposited
1600	41,400	66.240	0.993	09	8.942

Audit held the view that non-deposit of Government share caused loss of revenue to public exchequer.

Non-deposit was pointed out by Audit in May 2017. The executive stated that activity on the land was being run by the Military authorities under the provision of policy on use of A-1 Land. The reply was not tenable, as no documentary evidence for approval of commercial activity by Services Chief was produced as per A-1 land Policy 2008.

The matter was discussed in DAC meeting held in January 2018. DAC directed that MoDP may assess the rent through Board of officers and deposit Government share of 25% accordingly.

Audit recommends expeditions recovery action as per DAC directive.

DP-S-168/2017-18

1.9.34 Non-recovery of composition fee – Rs. 8.667 Million

According to SRO 1004(I) /83 dated 19th July 1983, bye-laws for regulating the erection and re-erection of or additions and alterations to buildings in Karachi Cantonment, by section 1986 of the Cantonment Act, 1924 were published and confirmed by the Federal Government as required by Sub-section (I) of section 284 of the said Act.

During audit of Karachi Cantonment Board, for the financial years 2015-16 & 2016-17, it was observed that an amount of Rs. 8.667 million was not recovered on account of composition fee from the owner of Star City building, Plot No: 73 N.I Line, Karachi against some unauthorized construction.

Audit was of the view that non-recovery was due to weak financial management which caused loss of revenue to Cantonment fund.

Non-recovery was pointed out by Audit in September 2017. The executive replied that the completion plan was placed before Board who vide CBR No.11 on June 02, 2012 forwarded the case to Special Committee for further verification of facts at site. The reply was not tenable, as it was management's responsibility to take efforts for the recovery of the outstanding amount.

The matter was discussed in DAC meeting held in January 2018. DAC was informed that case was under process and being placed before the Board in the forthcoming meeting for consideration. DAC directed that the case be got approved from the Board in its next meeting and report be submitted to Audit by 31stJan 2018.

Audit stresses upon early recovery of cantonment dues.

DP-S-143/2017-18

1.9.35 Non-recovery of rent – Rs. 8.609 Million

As per Section 92 of Cantonments Act 1924, if the person liable for the payment of any tax does not, within thirty days from the service of the notice of demand, pay the amount due, or show sufficient cause for non-payment of the same to the satisfaction of the Executive Officer, such sum, with all costs of the recovery, may be recovered under a warrant, issued in the form set forth in Schedule II, by distress and sale of the movable property of the defaulter. Every warrant issued under this section shall be signed by the Executive Officer.

During the audit of Karachi Cantonment Board (KCB), for the financial years 2015-16 & 2016-17, it was observed that an amount of Rs. 8.609 million as rent was lying outstanding against DML&C office, MEO offices and shops in the jurisdiction of KCB but the recovery was not being made.

(Rs. in million)

S No	Tenants	DP No	Amount of rent
1	Shops	DP-S-145	5.616
2	MEO office& DML & C Office	DP-S-153	2.993
Total			8.609

Audit was of opinion that non-recovery of rent was due to weak financial management that caused loss to Cantonment fund.

Non-recovery was pointed out by Audit in September 2017. The executive replied that concerned offices has been approached for the payment of rent, and so far Rs. 0.539 million had been recovered and

Rs. 1.77 million relating to shops was subjudice at high court. Efforts were being made for recovery of remaining amount of rent.

The matter was discussed by the DAC in its meeting held in January 2018. DAC directed that amount lying outstanding against MEO office be recovered by 30th June 2018, amount recovered so far be got verified from Audit, the court cases for Rs. 1.77 million be pursued vigorously. Besides, balance amount i.e. Rs. 1.823 million be recovered within 6 months.

Audit recommends expeditious recovery action as per DAC directive.

1.9.36 Non-imposition of security fee – Rs. 8.228 Million

According to Government of Pakistan, Ministry of Defence (ML&C Dep't) Rawalpindi vide letter no. 7/6/F&B/ML&C/2010 dated 03-08-2011 which was approved by the Board vide CBR NO. 08 dated 23-08-2011 as “security fee in the form of bank guarantee/cash deposit/Defence saving certificate etc pledged to the CEO equal to 1% of the cost of construction to be charged in 2 equal installments or 15% of the shops & flat be pledged in favour of CEO, CB as collateral.”

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed that on submission of building plan, the Karachi Cantonment Board got security fee from M/S Zardari Group & M/S Bahria Town only against “OPAL TOWER” for Rs 11.270 million but did not impose security fee as per above Government letter and CBR No.08 dated 23-08-2011. This resulted into non-realization of Rs 8.228 million on account of security fee.

This was pointed out by Audit in June 2017. The executive agreed with contention of the Audit.

The matter was discussed in DAC meeting held in October 2017. The executive stated that the amount would be recovered shortly. DAC directed for recovery and verification by Audit. No progress was reported till finalization of this report.

Audit recommends expeditious recovery action as per DAC directive.

SAR Para No. 4.1.13/2017-18

1.9.37 Non-recovery of tax on immoveable property from ASF – Rs. 6.610 Million

As per Section 60 Para 12 of Cantonment Act 1924, the Cantonment Board was authorized to recover TIP tax at the rate of 3% of the value recorded in the sale or as assessed by Cantonment Executive Officer whichever was higher. Valuation table given in public notice was thus the assessment made by Cantonment Executive Officer vis-à-vis by the market value of such properties.

During audit of Cantonment Board Malir, for the financial year 2016-17, it was observed that tax on immoveable property was recoverable from ASF at the rate of 2% of total cost of property, but the same was not recovered by the Cantonment Board as under:

(Rs. in million)

Total area SqYds	Rate per SqYds	Total Amount	Amount @ 2% of total
24200	13656.25	330.481	6.61

Audit was of the view that non-recovery of property tax caused loss of revenue to Cantonment fund.

Non-recovery was pointed out by Audit in August 2017. The executive replied that building plan was submitted by the ASF for approval of CBM, which was in process and TIP tax would be recovered accordingly.

The matter was discussed in DAC meeting held in January 2018. DAC was informed that necessary correspondence was under process with ASF. DAC directed to expedite the action.

Audit stresses upon the implementation of DAC directives.

DP-S-235/2017-18

1.9.38 Less assessment of ARV – Rs. 3.458 Million

According to Section-64(a) of Cantonment Act, 1924, in the case of railway station, hotels, colleges, schools, hospitals, factories, and any other buildings which a [Board] decided to assess under this clause, one-twentieth of the sum obtained by adding the estimated present cost of erecting the building to the estimated value of the land appertaining thereto. Furthermore, Section 71(1)(C) of Cantonment Act, 1924, about re-assessment is by altering the assessment on any property which has been erroneously valued or assessed through fraud, accident or mistake, whether on the part of the Board or of the Assessment Committee or of the assessee.

During audit of Cantonment Board Korangi Creek, Karachi, for the financial year 2016-17, it was observed that an amount of Rs. 7.524 million was proposed as Annual Rental Value (ARV) of Plot No. 249/4, NC-24, DEH, DIH, Korangi Creek. The amount was calculated @ Rs. 600/sq. ft. from Basement to 9th floor, which has not been finalized. As a matter of fact, the Board revised rates for cost of construction vide C.B.R. No. 24 dated 31-10-2016, and as per revised rates, the amount of ARV comes to Rs 18.203 million, which was not collected despite lapse of considerable time.

Audit was of the view that less assessment deprived Cantonment board of potential revenue.

This was pointed out by Audit in October 2017. The executive replied that the proposed (ARV) @ Rs. 20.108 million per annum had been calculated on the enhanced cost of construction. The assessment of ARV was still in process and dues would be recovered after the finalization of assessment process.

The matter was discussed in DAC meeting held in January 2018. DAC was informed that case is under process and being placed before the Board in the forthcoming meeting for consideration DAC directed that ARV be assessed and recovered accordingly. Progress be provided to audit by 31st Jan 2018.

Audit recommends early action for recovery of Government dues.

DP-S-150/2017-18

1.9.39 Non-deposit of 1% additional surcharge into Federal Consolidated Fund – Rs. 2.108 Million

As per Article 78 of Constitution of Pakistan, receipt of any kind required to be deposited into Federal consolidated fund. Rule 11 of CLAR 1937, all receipts from land entrusted to the management of the Military Estates Officer shall be credited in full to the Central Government.

During audit of MEO Quetta for financial year 2015-16, it was observed that 1% additional surcharge was recovered on late payment but the same was deposited into QMG fund instead of Govt. treasury. Audit is of the view that as per Article 78 of Constitution, all receipts were required to be deposited into Federal Consolidated Fund.

Non-deposit was pointed out by Audit in November 2016, but the reply submitted by the executive was not to the point.

The matter was discussed in DAC meeting held in January 2018. DAC directed that the Deptt (HQ ML&C) to send a reference to MoD for seeking clarification of Govt of Pakistan Ministry of Defence letter No. F.48/49/S/GHQ/F.2/18/D-12/2003, dated 6th Nov 2003 within 02 months.

Audit seeks early action on the subject matter so that government dues may be deposited into Govt. exchequer.

DP-S-71/2017-18

1.9.40 Non-recovery of development charges – Rs. 2.401 Million

As per Rule-92 of Cantonment Act 1924, if the person liable for the payment of any tax does not within 30 days from the service of the notice of demand, pay the amount due or show sufficient cause for

non-payment of the same to the satisfaction of the executive officer, such sum with all cost of the recovery may be recovered under a warrant by distress & sale of the moveable property of the defaulter.

During audit of Cantonment Board Korangi Creek, Karachi, for the financial year 2016-17, it was observed that an amount of Rs 2.401 million was outstanding against M/s Pearl Chicks on account of development charges but the same was not recovered causing loss of revenue to Government exchequer.

Non-recovery was pointed out by Audit in October 2017. The executive replied that the owner of the property had been approached for the payment of dues. Recovery when made, would be communicated to the Audit accordingly.

The matter was discussed in DAC meeting held in January 2018. DAC directed that the recovery made so far be got verified from Audit and balance amount be recovered by 31st March 2018.

Audit recommends implementation of DAC directives expeditiously.

DP-S-147/2017-18

1.10 Loss to State – Rs. 3,947.521 Million

1.10.1 Loss to Cantt Fund due to transfer of ML & C land to PTCL without realizing Cantt Fund dues – Rs. 1,764.877 Million

According to Para-92(1) of the Cantonment Act – 1924 “if a person liable of the payment of any tax does not pay within 30 days from the receipt of notice of demand pay the amount due or show sufficient cause of nonpayment of the same to the satisfaction of the Cantonment Executive Officer such sum with all costs of recovery may be recovered under warrant.”

During scrutiny of the accounts of Cantt Board, Lahore for the year 2015-16, it was noticed that an area measuring 33,739.64 Sq

yards comprising survey No.5 situated at Mughalpura Dry port was leased out to PTCL for the purpose of telegraph store without realization of the premium, development charges and ground rent, which resulted in loss to Cantt Fund amounting to Rs. 1,764,877,170.

Audit was of the opinion that non-realization of Cantt fund dues was due to weak internal controls on the part of management causing loss to Cantt fund.

The irregularity was pointed out by Audit in August, 2015, the executive replied that the property was located outside bazaar area and held under the management of MEO and the development charges would be recovered. The reply was not tenable as the amount was not recovered from the PTCL.

The DAC in its meeting held in August, 2017 decided to pend the para till recovery of Government dues from PTCL and pursuance of recovery through Ministry of Finance, being guarantor. No progress was intimated to audit till finalization of this report.

Audit recommends for investigation into the matter to fix responsibility on the person(s) at fault besides expeditious implementation of DAC directive regarding recovery of Cantt fund dues and its verification by Audit.

DP-N-310/2016-17

1.10.2 Loss to cantonment fund due to non-auction of Cantt board plaza – Rs. 154.500 Million

According to Para-4(1) Cantonment Account Code 1955 “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 pocket”.

During audit of the accounts of Cantonment Board Bannu for the year 2014-15, it was noticed that construction of commercial plaza containing 77 shops at old GTS stand was completed on 26th June, 2013 and tender was invited through daily newspapers for auction of shops on

9th February, 2012. The highest bid for Rs. 154,500,000 offered by Mr. Bilal was accepted by the Board. The highest bidder deposited 1/4th of the bid amount of Rs. 38,625,000. However, the auction proceedings were not finalized. Due to non-finalization of the auction of commercial plaza, Cantt fund had to bear a loss of Rs. 154,000,000.

Audit was of the opinion that non-finalization of auction process since February, 2012 was due to weak financial management and internal controls causing substantial loss to Cantt fund.

The irregularity was pointed out by Audit in December, 2014, the executive replied that the auction proceeding was forwarded to competent authority for approval. The competent authority did not approve the auction proceeding and decided to re-auction the plaza. Re-auction of shops would be held on 12th January, 2015.

The matter was discussed in DAC meeting held in January, 2018. The DAC was apprised that out of 77 shops, 13 shops were auctioned in September and November, 2017 and a sum of Rs. 48,710,000 as premium will be deposited into Cantt Fund. The DAC directed that efforts be made to sale out the remaining shops of the plaza within 06 months. The detailed report containing all the facts be provided to audit within 02 weeks. No further progress in the matter was reported to Audit till finalization of this report.

Audit recommends to hold fact finding inquiry and to fix responsibility on the person(s) at fault besides expeditious implementation of DAC's directives and its verification by Audit.

DP-N-638/2016-17

1.10.3 Loss to Cantt fund due to non-finalization of rent agreement – Rs. 14.546 Million

According to Rule-2(a)(5) of the Cantonment Account Code – 1955, “it is the duty of the Executive Officer and the staff employed by the Cantonment Board to see that dues of the Board are correctly and promptly assessed collected and paid into the treasury”.

During audit of the accounts of Cantt Board, Lahore for the year 205-16, it was noticed that MEO Office was shifted to Lahore Cantonment Board building from 1st April, 2015, but despite lapse of more than 17 months neither handing taking over was completed nor rent was recovered received from MEO authority. Resultantly, Cantonment Board, Lahore sustained a loss amounting to Rs. 14,545,676(Rs. 855,628 x 17 months) which required recovery.

Audit was of the view that non-finalization of handing taking over of building and lease agreement was due to weak financial and internal controls causing loss to Cantt fund.

The irregularity was pointed out by Audit in August, 2016, the executive replied that the case for recovery of rent of the LCB building from MEO had been initiated.

The DAC in its meeting held in August, 2017 directed to fix the rent and recover from the office of MEO Lahore within one month. No progress in the matter was reported to Audit till finalization of this report.

Audit recommends investigation of matter to fix responsibility on the person(s) at fault besides expeditious implementation of DAC's directive and its verification by Audit.

DP-N-338/2016-17

1.10.4 Loss to Cantonment fund due to non-compliance of Government orders – Rs. 9.386 Million

According to Para-12 (ii) Government of Pakistan, Ministry of Defence, ML&C Department, Rawalpindi letter No. 1-4/Gen/Hoarding Policy/ML&C/2012, dated 4th July, 2012, "In case of installation of advertisement / billboards on A-1 land, ground rent will be recovered by the respective MEOs and Sky charges by the respective Cantt Boards. In case of advertisement boards installed on Private land, ground rent would be paid to land owners and Sky Charges to the respective Cantt Board. The principle would apply in case of installation of BTS towers".

During audit of the accounts of Cantonment Board, Multan for the year 2015-16, it was noticed that certain hoardings installed on A-1 land remained under the control of Army. As per above order, amount collected by Army authorities was required to be deposited into Cantonment Fund which was not done. Resultantly, Cantonment Board sustained a loss of Rs. 9.386 million.

Audit was of the view that no-realization of Cantt fund was due to weak internal controls on the part of management.

The irregularity was pointed out by Audit in November 2016, the executive replied that efforts are being made to recover the amount from Army authorities and amount when recovered would be intimated.

The DAC in its meeting held in January, 2018 directed that recovery be pursued with Army authorities. Besides, Army representative also be called in next DAC meeting. No further progress was reported to Audit till finalization of this report.

Audit stresses for early recovery of hoarding charges besides expeditious implementation of DAC's directive and its verification by Audit.

DP-N-76/2017-18

1.10.5 Unauthorized establishment of Cattle Mandy by Army authorities – Rs. 936.000 Million

According to section-2 (xx) of Cantonment Act 1924 read with rule-2 of Bye-Laws for the regulation of cattle markets in the Malir Cantonment, issued by Ministry of Defence vide S.R.O No. 269 (I).92 dated 12-04-1992, no person shall, without the authority of the Board, establish or maintain a cattle market within the limits of the Cantonment.

During audit of Cantonment Board Malir, for the financial year 2016-17, it was observed that two cattle mantis were operated by Station HQ Malir & Housing Directorate of Army within limits of Malir Cantt area in violation of above mentioned rule. The revenue being

generated by the activity was not collected by the Board, which resulted in loss of revenue amounting to Rs 936.00 million.

This was pointed out by Audit in August 2017. The executive replied that the case for establishment of cattle mandi by Housing directorate of Army was referred to concerned authority for stoppage of activity. No explanation was offered regarding other cattle mandi operated by Station Head Quarter Malir Cantonment Karachi. The reply was not tenable, as establishment of cattle mandi was not permissible as per rule. Besides the revenue generated from these activities was required to be deposited into Government treasury.

The matter was discussed in DAC meeting held in January 2018. It was informed that demand notice had been issued to Station Head Quarters and response was awaited. DAC directed to expedite the action, while for Housing Directorate of Army, the management was directed to seek clarification from MoD.

Audit stresses upon expeditious compliance of DAC directives.

DPs-S-223 and 303/ 2017-18

1.10.6 Illegal auction of A-1 land – Rs. 390.255 Million

According to Rule-7 of CLAR 1937, no alteration in the classification of land which is vested in the Crown or in the Board shall be made except by the Central Government, or by such other authority as they may empower in this behalf, and the conditions on which land may be transferred from one class to another shall be governed by the orders of the Central Government or by the provisions of any law or rule for the time being in force which may be applicable. Furthermore, as per Rule-13(1) of PPRA 2004, under no circumstances the response time shall be less than 15 days for national competitive bidding.

During audit of MEO Quetta, for the financial year 2015-16, it was observed that 54 plots of Survey No 528 were disposed of through auction to general public in order to generate funds for

construction of new GHQ complex at Islamabad. Furthermore, survey No.528 classified as A-1 land was illegally leased to DOHS without proper re-classification of the said land from A-1 to B-4. Moreover, response time was unjustifiably reduced from 14 to 8 days in violation of PPRA Rules. Audit was of the view that auction proceedings were non-transparent and irregular.

The irregularity was pointed out by Audit in November, 2016. The executive replied that after auction of plots, the proposal was forwarded to ML&C Deptt for reduction of response time from 14 to 8 days. DOHS were made in all Pakistan Cantonments on A-1 lands which were later reclassified from A-1 to B-4 lands and were regularized. The reply was not tenable as the entire auction proceeds were to be credited into Government treasury as required under the rules.

The matter was discussed in DAC meeting held in January, 2018. DAC directed the Deptt (HQ ML&C) to send a reference to MoD for seeking clarification of Government of Pakistan Ministry of Defence letter no. F.48/49/S/GHQ/F.2/18/D-12/2003, dated 6th Nov 2003 within 02 months.

Audit stresses upon deposit of auction proceeds into Government treasury expeditiously.

DP-S-56/2017-18

1.10.7 Unjustified less assessment of properties – Rs. 257.782 Million

Section-68 of Cantonment Act, 1924 provided that the Board shall, at the same time, give public notice of a date, not less than one month thereafter, when it will proceed to consider the valuations and assessment entered in the assessment list and in all cases in which any property is for the first time assessed or the assessment is increased, it shall also give written notice thereof to the owner and to any lessee or occupier of the property.

During audit of Cantonment Board Malir, for the financial year 2016-17, it was observed that private housing schemes were established in the cantonment area but assessment of properties of following housing schemes were made at less rates causing loss of Rs. 257.782 million to public exchequer:

Name of Housing scheme	No. of Units
AFOHS	483
AFOHS (New Malir)	572
AFOHS-II	313
Askari-V(Bungalows)	481
Askari-V(Flats)	1224

It was further noticed that the assessment of property tax was made without applying formula of cost of construction and cost of land. DC rates for the Military Housing Schemes were kept same as issued by Provincial Government though DC rates for outside cantonment military area had increased manifold. Cost of land for civil area had also increased 3 times of DC rates as compared to cost of land inside military cantonment area. Thus, undue favor was extended to selected schemes only.

The irregularity was pointed out by Audit in August 2017. The executive replied that the case for revision of cost of land and cost of construction for assessment of properties was under process. However, no documentary evidence was furnished for verification.

The matter was discussed in DAC meeting held in January 2018. DAC directed that fresh rate be obtained from the assessment committee on the basis of fair rental/market value basis. Thereafter, assessment be finalized accordingly.

Audit recommends expeditious compliance of the DAC directive.

DP-S-312/2017-18

1.10.8 Un-justified transfer of funds in QMG Fund – Rs. 133.028 Million

As per Article 78 of Constitution of Pakistan, receipt of any kind required to be deposited into Federal consolidated fund. Furthermore, as per Rule 11 of CLAR 1937, all receipts from land entrusted to the management of the Military Estates Officer shall be credited in full to the Central Government.

During audit of MEO Quetta for the financial year 2015-16, it was observed that properties (Survey No. 382/1, 396/1, 396/3, 396/1/1, 396/1/2) were converted from residential to commercial. An amount of Rs. 133.028 million was collected on account of premium and deposited into QMG fund. Audit is of the view that deposit of the subject amount into QMG fund was illegal, as the same was required to be deposited into Federal consolidated fund.

The irregularity was pointed out by Audit in November 2016. The executive replied that amount received on account of conversion of leases from residential to commercial had been deposited into Government treasury instead of QMG fund. However, relevant record showing deposit of amount into Government treasury was not provided for verification.

The matter was discussed in DAC meeting held in January 2018. DAC directed the Deptt (HQ ML&C) to send a reference to MoD for seeking clarification of Government of Pakistan Ministry of Defence letter no. F.48/49/S/GHQ/F.2/18/D-12/2003, dated 6th Nov 2003 within 02 months.

Audit recommends verification of record showing deposit of entire amount into Government treasury.

DP-S-60/2017-18

1.10.9 Non-transparent and unjustified reduction of ARV (Annual Rental Value) – Rs. 125.916 Million

Section 68 of Cantonment. Act, 1924 (1) provided that the Board shall, at the same time, give public notice of a date, not less than one month thereafter, when it will proceed to consider the valuations and assessment entered in the assessment list, and, in all cases in which any property is for the first time assessed or the assessment is increased, it shall also give written notice thereof to the owner and to any lessee or occupier of the property.(2) Any objection to a valuation or assessment shall be made in writing to the Board before the date fixed in the notice, and shall state in what respect the valuation or assessment is disputed, and all objections so made shall be recorded in a register to be kept for the purpose by the Board. As per General Rules the ARV is required to be proposed/calculated on the basis of present cost of land and cost of construction.

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed from the Assessment Register that procedure of fixation of ARV was non-transparent and un-justified. ARV was assessed at very low side without recording any reason in assessment register. Neither objection to the proposed ARV was recorded anywhere, nor basis for reduction in ARV was mentioned which resulted into less assessment of ARV for Rs 125.916 million as under:

(Rs. in million)

S. No	Name of Cantonment Board	ARV required to be fixed	ARV fixed by Board	Difference
1	Clifton	126.187	58.997	67.190
2	Karachi (Tax value)	28.963	12.965	15.998
3	Faisal	54.825	15.714	39.111
4	Quetta (Tax value)	13.887	10.270	3.617
Total		223.862	97.946	125.916

This was pointed out by Audit in June 2017. The executive replied that the Assessment Committee was constituted by the Board under Section 68 (3) of the Cantonments Act 1924. Reply was not tenable, as assessment of properties was not done in transparent manner and with proper justification.

The matter was discussed in DAC meeting held in October 2017. The executive replied that the issues of uneven assessment were being addressed and a proposal in this regard was under consideration to limit powers of assessment committee for reduction of proposed assessment up to 30% in residential properties and up to 10% in commercial properties. DAC directed for verification of relevant record / documents regarding procedure for fixation of Annual Rental Value (ARV). DAC further directed that the matter may be placed before Cantonment Board meeting for similar Cantonment Board Resolution (CBR) as has been resolved by CB Faisal in Audit Para No. 2.1.8. No progress was reported till finalization of this report.

Audit stresses upon adoption of Resolution to limit powers of Assessment Committee by all Cantonments Boards.

SAR Para No. 4.1.1/2017-18

1.10.10 Loss to Cantonment fund due to non-approval of building plan – Rs. 123.537 Million

Under the Rule-178-A of Cantonment Act 1924, no person shall erect or re-erect a building on any land in a cantonment, except with the previous sanction of the Board, nor otherwise than in accordance with the provisions of this Chapter and of the rules and bye-laws made under this Act relating to the erection and re-erection of buildings. Furthermore, if any building is erected or re-erected within the meaning of Section 179(1), the owner shall give notice thereof to the Executive Officer within thirty days from the date of its completion or occupation, whichever is earlier.

During audit of Cantonment Board Malir, for the financial year 2016-17, it was observed that housing schemes were constructed/

developed by Army without getting building plans approved by Cantt Board Malir as under: -

Name of Housing scheme	No. of Units
AFOHS	483
AFOHS (New Malir)	572
AFOHS-II	313
Askari-V(Bunglows)	481
Askari-V(Flats)	1224

Due to non-approval of building plans, cantonment board could not recover hefty revenue of Rs. 123.537 million.

This was pointed out by Audit in August 2017 but the reply submitted was not to the point.

The matter was discussed in DAC meeting held in January 2018. DAC directed the Deptt. of ML&C to seek clarification from MoD on the matter within 03 months.

Audit stresses upon expeditious compliance of DAC directives.

DP-S-265/2017-18

1.10.11 Unjustified decrease in ARV causing loss to Cantonment Fund – Rs. 37.70 Million

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed in Cantonment Board Quetta that ARV of the City School was fixed at Rs 8.323 million in 2006. 20% increase in the said ARV was required to be made after every three years. Furthermore, ARV of PTV Center in 2006 was Rs 31.615 million. However, current ARV in 2017 was fixed at Rs 19.320 million which was less than the previous one. Instead of increasing ARV of above mentioned property, the same was fixed at low side.

PTV CENTRE QUETTA

(Rs. in million)

Year	Actual ARV	Property Tax	ARV on which Tax collected	Total property tax 15%	Loss to Cantonment Fund due to Less ARV
2007,2008 and 2009	31.62	$4.742*3=14.226$	19.320	$2.9 \times 3= 8.7$	5.526
2010,2011 and 2012	37.944	$5.69*3= 17.074$	19.320	$2.9 \times 3= 8.7$	8.374
2013,2014 and 2015	45.532	$6.829*3= 20.489$	19.320	$2.9 \times 3= 8.7$	11.789
2016 and 2017	54.638	$8.195*2= 16.391$	19.320	$2.9 \times 3= 8.7$	7.691
Total Property Tax		68.180	77.28	34.8	33.38

CITY SCHOOL QUETTA

(Rs. in million)

Year	Actual ARV	Property Tax	ARV on which Tax collected	Total property tax 15%	Loss to Cantonment Fund due to Less ARV
2007,2008 and 2009	8.323	$1.2485*3= 3.75$	8.323	3.7	NIL
2010,2011 and 2012	9.99	$1.4982*3= 4.5$	8.323	3.7	0.8
2013,2014 and 2015	11.99	$1.7978*3= 5.4$	8.323	3.7	1.7
2016 and 2017	14.4	$2.1574*2= 4.32$	8.323	2.5	1.82
Total Property Tax		17.95		13.60	4.3

Audit was of opinion that fixation of ARV at lower rate was due to weak financial management which caused loss to Cantonment fund.

This was pointed out by Audit in June, 2017. The executive replied that the Board was competent to revise the ARV after every 03 years under section-68 of the Cantonment Act 1924.

The matter was discussed in DAC meeting held in October 2017. DAC directed for revised reply and verification of record / documents. DAC further directed that verification be got finalized within 02 weeks. No record was produced for verification till finalization of this report

Audit recommends revision of ARV of PTV Centre & City School urgently.

SAR Para No.4.4.6/207-18

1.10.12 Illegal occupation on Defence land measuring 11,841.83 acres

According to Rule-10(viii) of CLA Rules 1937, the Military Estates Officer is responsible for watching that Departments of Government and Administrations make no encroachments beyond the boundaries of their holdings.

During the audit of MEO Quetta, for the financial year 2016-17, it was observed that 11,841.83 acres of land was illegally occupied by various organizations and individuals (details annexed). The illegally occupied land was required to be got vacated but no action was taken by the authorities.

Audit was of the view that occupation of cantonment land by military authorities was clear violation of laid down rules and reflected inaction by the Cantonment Board.

This was pointed out by Audit in November 2016. The executive replied that lands mentioned in HQ Southern Command Quetta Cantt, letter dated 30/08/2012 were Defence acquired land, and some of the lands encroached by the individuals were being vacated. The reply was not tenable, as no documentary evidence was provided that subject land was got vacated.

The matter was discussed in DAC meeting held in January 2018. DAC directed the MEO to provide record of land to Army authorities and ask them to get encroached land vacated from various organizations/individuals. Besides, Army representative will also be called in next DAC meeting.

Audit recommends early action as per DAC directives.

DP-S-129/2017-18

1.10.13 Un-authorized construction / encroachment on A-1 land

According to Rule 10(viii) of CLA Rules 1937, the Military Estate Officer is responsible for watching that Departments of Government and Administrations make no encroachments beyond the boundaries of their holdings.

During audit of MEO Karachi for the financial year 2015-16, it was observed that 14000 sq yards of A-1 land under survey No. 195 was leased out to Hotel Regent plaza, but the hotel management encroached upon excess area of 252 sq yard. Audit observed that efforts were not made by MEO to get the encroached land vacated since last 21 years.

Audit was of the view that encroachment of land reflected inability of the management to safeguard public interest.

This was pointed out by Audit in May 2017. The executive replied that the office had already served notice upon the lessee on November 21st, 2011 and March 22nd, 2016, for removal of un-authorized encroachment. The reply was not tenable as no concrete action for removal of encroachment or imposition of fine was reported so far.

The matter was discussed in DAC meeting held in January 2018. DAC directed that Army authorities be asked to get the encroached land vacated, joint demarcation be carried out (including rep from Survey of Pakistan) and representative of Army will be called in next DAC meeting.

Audit stresses upon early compliance of DAC directives.

DP-S-167/2017-18

1.11 Misprocurement – Rs. 1,374.392 Million

1.11.1 Award of contract through collusive practices – Rs. 1,374.392 Million

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

During the audit of Cantonment Board Clifton, Karachi, for the financial years 2015-16 & 2016-17, it was observed that contract of conservancy amounting to Rs. 1,374.392 million was awarded to two companies for 3 years. Following irregularities were noticed: -

- i. M/s. Nisar Jan & Co submitted lowest financial bid in Sector-I & II and M/s. Amir Sawab & Brothers (Pvt.) Ltd. in Sector- III & V. However, it was noticed that both contractors have always been declared lowest evaluated & successful bidder in the same sectors (I, II & III) since last seven years. Trend analysis of quoted price/bid and awarding of contract of preceding and current years revealed collusive practice to coordinate bid prices of their own choices.
- ii. More importantly, size of Sector I & II was reduced and new sector-V was created; but bid price was increased enormously.
- iii. CB Clifton invited tenders for conservancy after every three years instead of one year as required under the rules.

Audit was of the opinion that above irregularities reflect lack of transparency in the bidding process and resulted into collusive practice each year to obtain conservancy work.

This was pointed out by Audit in August 2017. The executive replied that CB Clifton invited open tenders for the conservancy contract through publishing the tender in both Urdu and English national newspapers. After evaluating the documents of the participant, contract was awarded to the lowest bidder with the approval of authorities. The reply was not satisfactory as it did not address audit observations raised above.

The matter was discussed in DAC meeting held in January 2018. DAC directed that the tender documents be provided to audit to examine the aspect of collusive practices and to check whether the period of the contract was for 03 years or otherwise. Moreover, copy of Board proceedings containing justification for award of three years contract may also be produced.

Audit recommends to probe the aspect of collusive practice and fix responsibility against the persons at fault.

DP-S-139/2017-18

1.12 Weak internal controls – Rs. 25.161 Million

1.12.1 Unauthorized collection of cantonment taxes in absence of approved building plan – Rs. 18.663 Million

As per Rule-178-A, of Cantonment. Act (II of 1924), no person shall erect or re-erect a building on any land in a cantonment, except with the previous sanction of the Board.

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed in Cantonment Board Clifton that DHA had no legal authority to build any residential construction on amenity plot reserved for graveyard but they had built residential project namely Creek Vista in violation of rule. Neither the Board stopped the construction nor passed any order to demolish it. However, an amount of Rs.18.663 million

was recovered from the occupants of the Project Creek Vista Apartments Phase-VIII DHA Karachi on account of property and conservancy Tax which was un-authorized.

(Rs. in million)

S No	Year	No of Units	House Tax	Conservancy Tax	Total Recovery
1	2011-2012	19	0.573	0.202	0.776
2	2012-2013	139	3.290	1.262	4.552
3	2013-2014	123	3.061	1.119	4.180
4	2014-2015	124	3.439	1.252	4.692
5	2015-2016	158	3.194	1.267	4.461
Total			13.559	5.103	18.663

Audit held the view that Cantonment Board failed to enforce authority in matters under its jurisdiction.

This was pointed out by Audit in June, 2017, but no reply was received.

The matter was discussed in DAC meeting held in October 2017. The executive stated that Creek Vista apartments were constructed on amenity plot by DHA at their own without getting any building plan approval from CBC. However, CBC taxes were being recovered from residents of Creek Vista as they were availing all municipal facilities. DAC directed that registration of transfer deeds be stopped forthwith till regularization of the matter. No progress was reported till finalization of this report.

Audit stresses upon implementation of DAC directives.

SAR Para No. 4.2.4/2017-18

1.12.2 Embezzlement in house & conservancy tax collection - Rs 6.498 Million

During audit of Cantonment Boards for the period 2011-12 to 2015-16, it was observed in Karachi Cantonment Board that an inquiry was under process against LDC (BPS-09) regarding unauthorized change of annual rental values of house/ conservancy tax of various properties located at Atrium Mall in Demand and Collection Register for the year

2014-15 to 2016-17. Moreover, Demand & Collection Register 2014-15 was also missing from office. This reflected weak internal controls leading to embezzlement.

This was pointed out by Audit in June 2017. The executive replied that an inquiry in the matter was already in progress and outcome of the inquiry would be intimated in due course of time.

The matter was discussed in DAC meeting held in October 2017. DAC directed that an inquiry be held to calculate actual amount of fraud, fix responsibility and take disciplinary action against the responsible within 30 days. Besides, recovery made so far i.e. Rs 1.9 million be got verified from Audit. No progress was reported till finalization of this report.

Audit stresses upon early finalization of inquiry proceedings for early recovery of Government dues.

SAR Para No. 4.1.11/2017-18

Pakistan Air Force

1.13 Irregular / Unauthroized expenditure – Rs. 172.325 Million

1.13.1 Irregular conclusion of contract regarding purchase of life saving medicines – Rs. 81.858 Million

Under Rule-89 of Financial Regulation Volume-I-1986, as amended vide Government of Pakistan Ministry of Defence letter No. F.3/1/98/D-15, dated 23rd February, 2008, the financial powers of AOC, ACAS is Rs. 13,500,000.

According to Para-22 of AFO 67-45, one certified true copy of the tender is to be forwarded to the Controller of accounts, Air Force, and Lahore Cantonment immediately after the contract has been approved for the purpose of scrutiny.

During audit of the accounts of PAF Hospital Sargodha for the year 2014-15, it was noticed that a contract was awarded to M/s Shaheen Medical Services for daily local purchase of medical stores during the period 2014-15 and a payment of Rs. 81,858,867 was made during 2014-15 but neither the contract was scrutinized from concerned accounts office nor the contract was got sanctioned from the competent financial authority. The Base Commander PAF Base Mushaf was not competent to conclude contract exceeding Rs. 13.500 million. This resulted into an irregular expenditure Rs. 81,858,867 which needed regularization.

Audit was of the view that award of contract beyond the competency and its non scrutinization from the Account office was violation of rules and shows weak internal controls causing irregular expenditure.

The irregularity was pointed out by audit in December, 2015, the executive replied that due action would be intimated as and when received from CAAF AHQ, Peshawar.

The para was included in the DAC meeting held in August, 2017 but was not discussed due to non receipt of reply.

Audit stresses for expeditious regularization of the amount from appropriate competent authority besides adoption of remedial measures to avoid such lapses in future.

DP-N-518/2016-17

1.13.2 Loss to state due to irregular expenditure on account of low power factor penalty to WAPDA – Rs. 5.471 Million

According to Ministry of Water and Power, Government of Pakistan Notification No SRO-894 (1)/2001 dated 28th December, 2001 the consumer of Tariff (C-1) Bulk supply at 400 Volts shall pay a penalty of 2% increase in the fixed charges corresponding to 1% decrease in power factor below 90%. The Engineer in Chief vide Routine Instruction No. 656 issued in 1989 had directed all MES formations to take immediate steps to improve low power factor, as it was resulting in fructuous expenditure.

During audit of the accounts of GE (Air) Maint Islamabad for the year 2015-16, it was noticed that a sum of Rs. 5,471,458 was paid as penalty from July, 2015 to June, 2016 due to non-maintenance of required power factor which needed to be got regularized.

Audit was of the view that due to non taking of steps to improve the power factor as per directed by the higher authorities which shows weak internal controls causing loss to state.

The irregularity was pointed out by Audit in September 2016, the executive replied that since the development of AHQ, only 02 feeders were installed for electricity but day by day infrastructure increased and usage raised high which creates the difference between apparent power (KVA) and real Power (KW) and the variation failed to stable and caused difference in P.F. This office raised issue already to higher authorities for installation of capacitor for the stability like reactive power (KVA_r) which give help to avoid from penalty.

The DAC in its meeting held in January, 2018 directed that adjustment of amount of penalty paid be got verified from audit within 02 weeks. No further progress in the matter was reported to Audit till finalization of this report.

Audit stresses for expeditious implementation of DAC's directive regarding verification of the adjustment of amount penalty and its verification by Audit.

DP-N-618/2016-17

1.13.3 Irregular conclusion of contracts – Rs. 74.00 Million

As per Annex-H to Rule 89 1(c) (b), Financial Regulations 1986, Vol-I and MoD letter No. F.3/1/98/D-15 dated 23-02-2016, for the contracts above Rs. 13.50 million, Government sanction is required.

During audit of PAF Faisal Hospital, Karachi, for the financial year 2016-17, it was observed that a contract amounting to Rs. 74.000 million was awarded to M/s Shaheen Medical Services for the supply of medicine. The contract was approved by Air Commodore PAF Base Faisal, who was not empowered to conclude the contract above Rs. 13.500 million and the same required sanction from Government of Pakistan.

Non-observance of laid down rules indicated weak internal controls leading to irregular expenditure.

The irregularity was pointed out by the Audit in September, 2017. The executive replied that the contract was awarded after approval of Deputy Chief of Air Staff on behalf of Chief of Air Staff.

The matter was discussed in DAC meeting held in January 2018. DAC directed to obtain ex-post facto sanction from competent authority.

Audit recommends regularization of the expenditure from the competent authority.

DP-S-245/2017-18

1.13.4 Irregular expenditure on conservancy contract – Rs. 9.984 Million

As per Rule-12(2) of PPRA Rule-2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu".

The Board assessed conservancy expenditure for the year 2015-16 of Rs 7.260 million. Contrary to Board's recommendation, total expenditure incurred on conservancy services was Rs. 9.984 million. Resultantly it surpassed the Board's assessment by Rs. 2.724 million.

During audit of PAF Base Shahbaz, Jacobabad, for the financial year 2015-16, it was observed that expenditure on conservancy of Rs. 9.984 million was done from various heads of account. Furthermore, tender advertisement appeared in one newspaper only without uploading on PPRA's website.

Audit was of the view that expenditure was irregular as it was incurred in violation of laid down rules.

The irregularity was pointed out by Audit in June 2017, but no reply was received.

The matter was discussed in DAC meeting held in January 2018. DAC was informed that tender was advertised on PPRA and two newspapers. Furthermore, no interest was shown by any agency for conservancy services. DAC directed that documents regarding compliance of PPRA Rules and NOC from Municipal Committee be furnished for verification. Besides, clarification that temporary followers were not engaged for conservancy services may also furnished for verification. No record was produced to Audit till finalization of this report.

Audit recommends regularization of the expenditure from the competent authority.

DP-S-46/2017-18

1.13.5 Irregular award of conservancy contract at higher rate – Rs. 1.012 Million

According to PPRA Rule-2(h)(i) a bid most closely conforming to evaluation criteria and other conditions specified in the bidding document; and (ii) having lowest evaluated cost. Further according to PPRA Rule 38 “The bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.”

During audit of PAF Base Masroor, for the financial year 2015-16, it was observed that conservancy contract was awarded to M/S Ghulam Hussain & Sons at the rate of Rs. 0.483 million per month, however, M/S B.B Associates quoted the lowest price of Rs. 0.399 million per month. The reason for rejection was mentioned that contractor was inexperienced. However, in year 2016-17, the same contractor was awarded the same contract.

Audit was of the opinion that conservancy contract was awarded on favoritism basis without considering the rates. Due to weak financial management, government exchequer sustained loss.

The irregularity was pointed out by Audit in February 2017, but no reply was furnished.

The matter was discussed in DAC meeting held in January 2018. DAC directed that documentary evidences that M/s BB was an inexperienced contractor and the basis for rejection of bid be furnished to Audit for verification. No record was produced to Audit till finalization of this report.

Audit recommends fact-finding inquiry to ascertain factual position.

DP-S-54/2017-18

1.14 Recoverable / Overpayments – Rs. 284.910 Million and US \$ 1.077 Million

1.14.1 Non-recovery of training charges from foreign trainees US \$ 1.077 Million

According to Para-1 of Joint Services Instruction No.4/2006, training and allied charges will be recovered from the foreign trainees, as per prescribed rates, attending courses in various institutions of the Pakistan Armed Forces through their respective embassies.

During audit of the accounts of Pakistan Air Force Academy Risalpur for the year 2016-17, it was noticed that an amount of US \$ 1,076,850 on account of training charges was lying outstanding against Saudi Arabia, which needed recovery.

Audit was of the view that delay in recovery of training charges was due to weak internal controls on the part of management causing loss to public exchequer.

The irregularity was pointed out by Audit, the executive replied that recovery of the amount was being pursued actively. However, still no recovery was intimated to Audit so far.

The DAC in its meeting held in January, 2018 directed to get verify original record from audit within 02 weeks. No further progress was reported till finalization of this report.

Audit recommends for early recovery action and its verification by Audit.

DP-N-60/2017-18

1.14.2 Non-recovery of rent and allied charges – Rs. 29.670 Million

According to Rule-442 of (DSR) 1998, “GE is responsible for making demand of all revenue and making prompt action for its realization”.

During audit of the accounts of Assistant Garrison Engineer (Air) Lower Topa for the year 2015-16, it was noticed that an amount of Rs. 24,150,000 on account of rent and allied charges was lying outstanding against 43 x guest rooms for the period from June, 2011 to March, 2017 and still not recovered which needed recovery.

Audit was of the view that non-recovery of Government dues was tantamount to loss to state and shows weak internal controls.

The irregularity was pointed out by Audit in February, 2016, the executive replied that recovery of rent of these guest rooms had been made by the PAF Base authorities.

The reply was not acceptable, as all the repair / maintenance / renovation work of the objected guest rooms was being carried out of public funds, therefore, the amount of rent and allied charges may be recovered from PAF Base and deposited into Government treasury.

The DAC in its meeting held in January, 2018 directed to provide revised reply covering all aspect of the case supported by relevant documents within 03 weeks. No further progress was reported till finalization of this report.

Audit recommends for expeditious recovery of the amount involved besides investigation of the matter to fix responsibility on person(s) at fault and its verification by Audit.

DP-N-23/2017-18

1.14.3 Non-deposit of Government share of rental income – Rs. 161.919 Million

According to policy on use of A-1 Land circulated vide MoD letter dated 2nd April, 2008, in order to launch essential commercial activities required to serve the residents of the respective garrison, survey will be conducted by a board of officers to determine the actual area under usage. The rent shall be charged @ 6% per annum of existing revenue rate of the said land. Government's share @ 25% of the rent so charged will

be deposited into Government treasury. Besides, the entire amount of rent charged for use of A-I land for agricultural purposes will be deposited into Government treasury.

During audit of following PAF units, for the financial years 2015-16 & 2016-17, it was observed that commercial/ agricultural activities were being carried out on “A-1” land. However, Government share of the rent amounting to Rs. 161.919 million was not deposited into Government treasury. The details are as under: -

(Rs. in million)

S No	Units	DP No.	Details of Activities	Amount
1	PAF Base Masroor	S-242	Petrol pump, Banks, Container Terminal	68.55
2	PAF Base Masroor	S-30	Petrol pump, Banks, Container Terminal	62.55
3	PAF Base Masroor	S-226	Cattle Farm/Bara	18.25
4	PAF Base Korangi Creek	S-88	Airmen Golf Club	6.50
5	PAF Base Masroor	S-217	Agricultural activities	3.429
6	PAF Base Malir	S-183	34 commercial shops	2.640
Total				161.919

Audit held the view that delay in deposit of Government revenue caused loss to exchequer.

Non-deposit was pointed out by Audit in February 2017 & October 2017. The executive replied that the action on few activities was in process as per A-1 land policy whereas other activities pertained to ‘Category B’ regarding welfare of troops.

The matter was discussed in DAC meetings held in January 2018. DAC directed that Board of Officers may be convened within three months for assessment of rent and deposit of Government share as per A-1 land Policy 2008. No record was produced to Audit for verification till finalization of this report.

Audit stresses upon early deposit of government share in treasury.

1.14.4 Irregular establishment of private institute on A-1 land and non-deposit of government share into treasury – Rs. 60.000 Million

According to Policy on use of A-1 Land circulated vide MoD letter dated 2nd April, 2008, in order to launch essential commercial activities required to serve the residents of the respective garrison, survey will be conducted by a board of officers to determine the actual area under usage. The rent shall be charged @ 6% per annum of existing revenue rate of the said land. Government's share @ 25% of the rent so charged will be deposited into Government treasury. Besides, the entire amount of rent charged for use of A-I land for agricultural purposes will be deposited into Government treasury.

During audit of PAF Base Korangi Creek, Karachi, for the financial year 2016-17, it was observed that a private institution namely PAF KIET was established on A-1 land without prior approval of Government of Pakistan. PAF KIET is a commercial institute, and PAF Base Korangi Creek officers attending MBA classes, were also charged tuition fee by KIET management. It is pertinent to mention that HEC has not recognized PAF KIET as a public institute, hence, claiming that institute was for welfare of troops was unjustified.

That indicated prevalence of weak internal controls resulting into loss to public exchequer.

Non-recovery was pointed out by Audit in August 2017, but no reply was furnished.

The matter was discussed in DAC meeting held in January 2018. DAC was informed that the institute was categorized as a Cat 'B' activity as per A-1 land policy. DAC directed that Board of officers may be convened for assessment of rent and deposit of same into government treasury as per A-1 land policy 2008.

Audit stresses upon early deposit of government share in treasury.

DP-S-133/2017-18

1.14.5 Non-recovery of sales tax on services from contractors – Rs. 12.485 Million

According to Sindh Act No. II of 2012, Schedule Second Part-B, No. 9814-2000, contractor of building (including water supply, gas and sanitary works), electrical and mechanical works (including air conditioning), multi-disciplinary works (including turn-key projects) and similar other works will be charged at the applicable rates.

During audit of following PAF units, for the financial years 2015-16 & 2016-17, it was observed that an amount of Rs. 141.284 million was spent on various contracts but sales tax on services amounting to Rs. 12.485 million was not deducted from the final payments of the contractors/suppliers as under:

(Rs. in million)

S#	Unit/Formation	DP No.	Nature of work	Amount
1	PAF Base Masroor	S-49	Repair & services	10.484
2	PAF Base Masroor	S-31	Conservancy services	1.037
3	PAF Base Korangi Creek	S-100	Conservancy, MT Repair & Transport Services	0.964
T o t a l				12.485

Audit was of the opinion that non observance of the rules caused loss of revenue to government exchequer.

Non-recovery was pointed out in February 2017 & August 2017. The executive replied that contracts of repair work do not fall into the category of services and the units being Federal Department entities followed the instructions issued by the Federal Government only, whereas sales tax on services was the provincial levy.

The matter was discussed in DAC held in January 2018. DAC directed that a meeting would be held between AS-II and MAG for

clarification of the subject issue in next week and decision would be conveyed to all concerned for compliance.

Audit stresses upon expeditious recovery of pointed out amount.

1.14.6 Non-recovery of house rent allowance from the officers availing government accommodation – Rs. 12.177 Million

Rule-40 of Quarters & Rents 1985 provided the procedure for recovery of rent, etc, in respect of residential accommodation allotted to officers.

Rule-26(a), an officer allotted accommodation shall be responsible for payment of rent of the accommodation whether he occupies it or not unless the allotment is formally cancelled by the Station Commander. A maximum period of ten days after the date of allotment shall be allowed for moving into the accommodation. Rent shall become payable at the end of this period or the actual date of occupation, whichever is earlier.

During audit of PAF Base Masroor, for the financial years 2015-16 & 2016-17, it was observed that officers/ officials availed government accommodation facility besides drawing the house rent allowance. This resulted into irregular payment of HRA amounting to Rs. 12.177 million, which ought to be recovered.

Audit held the opinion that payment of house rent allowance to officers availing government accommodation was tantamount to misuse of authority.

Non-recovery was pointed out by Audit in February 2017& October 2017. The executive replied that the measurement of allotted MOQs / MOLs was less than 502 Sq m as mentioned in DSAS 2000, and thus it was below their entitlement.

The matter was discussed in DAC meeting held in January 2018. DAC was informed that HRA policy was under finalization. DAC

pended the para till finalization of policy for officers residing in below standard accommodation.

Audit stresses upon early recovery of HRA from officers.

DP-S-36 and 236/2017-18

1.14.7 Non-recovery of allied charges – Rs. 5.316 Million

According to Para-442 of Defence Services Regulations for MES 1998, the GE is responsible for making demands for payment of all revenues, whether credited to Main Head VIII/X-H/XI-C or D, or compiled as deduction from expenditure, and for taking steps for its prompt realization.

During audit of following PAF units, it was observed that Rs. 5.316 million were outstanding on account of allied charges for the years 2015-16 & 2016-17, which were not recovered. The details are as under: -

(Rs. in million)

S No	Unit/Formation	DP No.	Amount
1	GE (Air) Faisal, Karachi (electric charges)	S-221	2.400
2	GE (Air) Faisal, Karachi (electric charges)	S-230	0.804
3	GE (Air) Shahbaz, Jacobabad (electric charges)	S-125	0.771
4	GE (Air) Malir, Karachi (electric, water)	S-94	0.736
5	GE (Air) Faisal, Karachi (rent & allied)	S-225	0.605
T o t a l			5.316

Non-recovery of rent and allied charges from consumers led to accumulation of arrears and indicated weak financial management within PAF units.

The recoveries were pointed out by Audit in February 2017 & August 2017. The executive replied that efforts were being made to recover the outstanding amount.

The matter was discussed in the DAC meetings held in January 2018. DAC was informed that partial recoveries had been

effected, while efforts were being made to recover the outstanding amount. DAC directed that recovered amount be got verified from Audit and balance amount be recovered within 6 months.

Audit stresses upon recovery of the pointed out amount.

1.14.8 Non-recovery of defaulted amount from M/s World Call – Rs. 1.978 Million

According to Rule 19 of PPRA, 2004, the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority.

During audit of PAF Base Masroor, for the financial year 2015-16, it was observed that an amount of Rs. 1.978 million was outstanding against M/s World Call on account of rent and allied charges since October, 2015. The Base authorities have failed to initiate any action for recovery and blacklisting of firm.

Audit was of the opinion that inaction on the part of management led to loss of revenue to Government exchequer.

Non-recovery was pointed out by Audit in February 2017. The executive accepted that M/S World Call had not deposited the amount and intimated that the case would be taken up legally.

The matter was discussed in DAC meeting held in January 2018. DAC directed that process to blacklist the firm be finalized within 01 month. Besides, efforts be made to recover the amount in question.

Audit stresses upon implementation of the DAC directives.

DP-S-53/2017-18

1.14.9 Non-deposit of public money into treasury – Rs. 1.365 Million

Under Rule-6(a) to (d) of Financial Regulations, Volume –I 1986, every officer should exercise the same vigilance in respect of expenditure incurred from Government revenue as person of ordinary prudence would exercise in respect of the expenditure of his own money and further, Government revenues shall not be utilized for the benefit of a particular person or a section of the community etc.

During audit of PAF Base Masroor, for the year 2016-17, it was observed that Provost Sqn generated an activity through traffic violation/challans but the amount Rs1.365 million received during last 05 years was deposited into Non-Public Fund (NPF) Account instead of government treasury. Non-compliance of rules deprived government of its due share.

Audit was of the view that diversion of public money into private account indicated weak financial internal controls on the part of management.

Non-deposit was pointed out by Audit in October 2017. The executive replied that the collected amount against traffic violations/challans had been deposited in NPF as per AHQ directives.

The matter was discussed in the DAC meeting held in January, 2018. DAC directed that amount be deposited into Government treasury.

Audit stresses upon early deposit of public money into Government treasury.

DP-S-237/2017-18

1.15 Loss to State – Rs. 4.202 Million

1.15.1 Loss to state due to non-recovery of HRA from officers – Rs. 4.202 Million

According to Ministry of Housing and Works O.M No. F-11(33)/2012-Policy dated 17th May, 2013 endorsed by Finance Division (Military Finance Wing) Rawalpindi vide U.O No. 134/R-1/ASMF/2014 dated 31st January, 2014, armed forces officers allotted residential accommodations may not be paid 45% house rent allowance and 5% of their running basic pay should be charged to bring them at par with civilian set up.

During audit of the accounts of PAF Base Lahore for the year 2015-16, it was noticed that Air Force Officers living in E-type accommodation were also drawing house rent allowances in violation of above Government orders. This resulted into an overpayment of Rs. 4,202,487 which needed recovery.

Audit was of the opinion that payment of house rent allowance to the PAF officers availing married accommodation was tantamount to misuse of authority resulting into loss to state.

The irregularity was pointed out by Audit in March, 2016, the executive replied that accommodation referred were MOQ which were below the entitlement of married accommodation for officers. As per latest decision, the allottee officers residing in MOQ would be charged assessed rent as per Air Headquarter letter dated 22nd February, 2016. The reply was not acceptable as the accommodation was constructed as E-type accommodation and the officer living in said accommodation were not entitled for House Rent Allowance.

The DAC in its meeting held in August, 2017 directed that para be pended till formulation of policy for recovery of HRA from the Armed Forces Officers residing in below standard/entitled accommodation. No further progress was reported to Audit till finalization of this report.

Audit recommends early recovery of House Rent Allowance besides expeditious finalization of House Rent Allowance policy and its verification by Audit.

DP-N-481/2016-17

1.16 Mis-procurement of stores – Rs. 589.000 Million

1.16.1 Mis-procurement of stores in violation of Public Procurement Rules – Rs. 409.047 Million

According to Rule-12(1-2) of Public Procurement Rules-2004, “all procurement over one hundred thousand rupees and up to the limit of Rs. 2.000 million shall be advertised on the authority’s website. Further procurement over Rs. 2.000 million should be advertised on the authority’s website as well as in two national dailies, one in English and the other in Urdu”.

During audit of accounts of following (05) MES Air formations, it was noticed that contracts valuing Rs. 409.047 million were awarded to different contractors without calling for open competition through newspapers and PPRA’s website, which was violation of above PPRA rules.

(Rs. in million)

S #	DP No.	Name of Unit / Formation	Amount
1	DP-N-486/2016-17	GE (Air), Lahore	227.490
2	DP-N-513/2016-17	GE (Air), PAF Base, Peshawar	8.418
3	DP-N-517/2016-17	AGE (Air), Kalabagh	8.263
4	DP-N-682/2016-17	AGE (Air), Murid	30.603
5	DP-N-56/2017-18	GE (Air), Rafiqui, Shorkot	215.273
Total			490.047

Audit was of the view that incurring of public expenditure without adoption of PPRA Rules may lead to misuse of Government funds which shows weak internal controls on the part of management.

The irregularity was pointed out by Audit during 2016-17, the executives replied that contracts of stores and works were awarded to firms after meeting all codal formalities. In some cases, the executives replied that work was executed on emergency basis thus the response time was over looked without any loss to Government. The replies were not acceptable as documentary evidences regarding advertisement in newspapers or PPRA's invoices were not produced.

The matter was discussed in DAC meetings held in August, 2017 and January, 2018. The DAC directed to hold an inquiry, fix responsibility and violation of Public Procurement Rules be got regularized. Against serial No. 5 & 6 above, the DAC directed to provide revised reply covering all aspects of the DP supported by relevant documents within 02 weeks. No further progress was reported to Audit till finalization of this report.

Audit stresses for expeditious finalization of inquiries and regularization besides initiation of remedial measures to avoid such lapses in future.

1.16.2 Irregular award of local purchase contract – Rs. 80.741 Million

According PPRA Rules 2004, (f), “corrupt and fraudulent practices” includes, collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition and any request for, or solicitation of anything of value by any public official in the course of the exercise of his duty. According to PPRA Rule 38, “the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.” According to PPRA Rule 40 Limitation on negotiations. “Save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or

with any other bidder: Provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority.”

During audit of PAF Hospital Faisal, Karachi, for the years 2013-14 to 2015-16, it was observed that local purchase medicine contract was awarded to M/S Shaheen Medical Services for Rs.80.740 million by providing the opportunity of rate revision. It was observed that M/S Avital Pharma offered discount rate 11.5%, Star 10.5% and M/S Shaheen offered 10% discount on retail price. However, contract was not awarded to M/S Avital Pharma but to M/S Shaheen without any plausible justification.

Audit concluded that the whole process lacked transparency and was tantamount to extending undue favour to contractor.

The irregularity was pointed out by Audit in June 2017, but reply submitted by the executive was not to the point.

The matter was discussed in DAC meeting held in October 2017. The executive replied that reasons of rejection of M/S Avital were communicated to Avital. DAC directed the management to hold fact-finding inquiry to ascertain non-transparency of the procedure while awarding local purchase contract to M/s Shaheen Medical Services in violation of rules and submit report to MoD and Audit.

Audit stresses upon early finalization of fact-finding inquiry under intimation to Audit.

SAR Para No. 3.2/2017-18

1.16.3 Irregular award of contracts without open tenders – Rs. 18.212 Million

According to Rule-12 (1&2) of PPRA Rules-2004, all procurements over one hundred thousand rupees and upto the limit of Rs. 2.000 million shall be advertised on the authority’s website. Further, procurement over Rs. 2.000 million should be advertised on the authority’s website as well as in two national dailies, one in English and the other in Urdu.

During audit of following PAF Units, for the financial years 2015-16 & 2016-17, it was observed that contracts were concluded without advertisement on PPRA website/ newspapers as under: -

(Rs. in million)

S #	Name of Unit / Formation	DP No.	Amount
1	PAF Base Masroor, Karachi	S-43	7.925
2	PAF Base Korangi Creek, Karachi	S-90	5.472
3	PAF Base Masroor, Karachi	S-254	4.815
Total			18.212

Audit was of the opinion that violation of PPRA Rules deprived management of competitive rates.

This was pointed out by Audit from January 2017 to October 2017. The replies submitted by the executive were not to the point.

The matter was discussed in DAC meetings held on 1st & 25th January 2018. DAC directed the executive at S No. 1 to provide relevant record to Audit for verification. The executive at S No.2 was asked to hold inquiry and take disciplinary action against those found responsible, while executive at S No. 3 was asked to get the expenditure regularized from competent authority.

Audit stresses upon expeditious implementation of the DAC directives.

Pakistan Navy

1.17 Irregular / unauthorized expenditure – Rs. 867.240 Million

1.17.1 Un-authorized payment of Daily Messing Allowance – Rs. 8.891 million

In accordance with Rule-210 (b) of Pay and Allowance Regulations 1976 (Navy), “Daily Messing Allowance will be admissible to officers and men participating in the Exercises, maneuvers ordered by NHQ/Administrative authorities viz Compak, Comkar, Comlog”.

During audit of the accounts of Pakistan Navy Ship (PNS) Punjab Lahore Cantt for the year 2016-17, it was noticed that a sum of Rs. 8,890,705 was paid to the officers/officials on account of Daily Messing Allowance (DMA) on normal duties whereas the same was admissible only to the officers and men participating in exercises and maneuvers. This resulted into irregular payment of DMA amounting to Rs. 8,890,705 which needed regularization.

Audit was of the view that non-implementation of Government regulations caused irregular expenditure which indicates weak internal controls on the part of management.

The irregularity was pointed out by Audit in January 2017, the executive replied that the objected DMA was paid to officers / men participated in operation TUHAFUZ. The reply was not tenable as no substantial evidence was produced by the PNS Punjab.

The DAC in its meeting held in January, 2018 directed to provide the list of the individual deployed in excercises/maneuvers alongwith deployment order issued by competent authority for examination.

Audit stresses for expeditious implementation of DAC’s directive and its verification by Audit.

DP-N-55/2017-18

1.17.2 Advance payments to avoid lapse of funds – Rs. 589.261 Million

According to Rule 408 & 417 of DSR 1998, there is no provision of advance payment to contractor except secured advance. According to Para 15(C)(4) of DSR 1998, all payments to contractors and employees correctly represent the services rendered (i.e. work done and stores supplied) in accordance with the contract or other agreement under which those services have been rendered.

During audit of following Navy Units, for the financial year 2016-17, it was observed that Rs. 589.261 million were paid to various contractors within 2-3 days of commencement of work showing works as completed. It was obvious that advance payments were made just to extend undue favor to the contractors and avoid lapse of fund. Details are as under: -

(Rs. in million)

S. #	Unit/Formation	DP No.	Amount
1.	GE (Navy) Contraction-I, Ormara	S-222	403.953
2.	GE (Navy) Contraction Manora Karachi	S-127	163.892
3.	GE (Navy) Contraction-II, Ormara	S- 249	21.416
T o t a l			589.261

Audit was of the opinion that advance payments were made due to weak internal controls on the part of management.

The irregularity was pointed out by Audit in October & November 2017. The executive replied that contractors were paid against the actual work done. Furthermore, urgent need for the completion of said project and lapsing of funds had contributed for the immediate payment to the contractors.

The matter was discussed in DAC meeting held in January 2018. DAC directed that for S No. 01, physical verification of work be got carried out from Audit, for S No. 2 & 3 fact-finding inquiry be held and regularization action be taken accordingly.

Audit stresses upon implementation of DAC directives.

1.17.3 Splitting-up of sanctions – Rs. 262.506 Million

According to Table-A of the Para 25 and the Para 389 of DSR 1998, the power of administrative sanction of DCNS is upto Rs.30 million and the contractual powers of E-in-C and DW&CE are Rs.35 million and Rs.30 million, respectively, Para 27 of DSR 1998 stipulates that no project will be split up merely it within the powers of an approving authority. Thus expenditure was irregular, hence could not be admitted in audit.

During audit of following Navy Units, for the financial years 2015-16 & 2016-17, it was observed that contracts amounting to Rs.262.506 million were split to avoid sanction of competent authority. Thus expenditure was irregular, hence could not be admitted in audit. Details are as under:

(Rs. in million)

S No	Name of Unit/Formation	DP No.	Amount
1	GE (Navy) Construction Manora Karachi	S-171	135.933
2	GE (Navy) Central Construction Karachi	S-115	81.417
3	GE (Navy) Construction Manora Karachi	S-70	35.296
4	CMES (Navy) COMLOG Karachi	S-261	9.860
Total			262.506

Audit was of the opinion that expenditure was incurred in violation of rules which reflected weak internal controls.

The irregularity was pointed out by Audit in December 2016 & August 2017. The executive replied that separate admin approval was issued in different time lines for different location. Reply was not tenable as the site locations were same with same time lines and works were awarded within 30 to 60 days by splitting up the contracts to avoid the sanction from competent authority.

The matter was discussed in the DAC meetings held in January, 2018. DAC directed for regularization of expenditure from competent authority for Sr. No. 4 and for remaining formations, DAC directed for reconciliation and verification of record. No progress was reported till finalization of this report.

Audit stresses upon regularization of the expenditure by the competent authority.

1.17.4 Excess consumption of Sui gas beyond the authorization – Rs. 6.582 Million

According to Board of Officers to fix authorization scale on energy vides approval No SS/381/LG/14/451 dated 18th January 2016, Board recommended and approved the Sui Gas Scale as under:

- i. 3124.51 MMBTU/ month for summer and 4635.08 MMBTU/ month for winter against PNS Shifa Sui gas appliance vide Annex “B”.
- ii. 269.99 MMBTU/Month for summer and 391.48 MMBTU/month for winter is authorized against AFNS Messes at PNS Shifa Sui gas appliance vide Annex “C”.

During audit of GE (Navy) South, Karachi, for the year 2016-17, an amount of Rs. 38.969 million was paid as sui gas charges to MES against 56,560 MMBTU gas consumption bill of AFNS Mess at PNS. However, the authorized units for free consumption for the year were 47262.2 MMBTU as mentioned in BOO held on 18th January, 2016. This resulted into excess consumption of 10498 MMBTU units worth Rs.6.582 million.

Audit was of the opinion that excess sui gas was consumed due to non-observance of rules on scaling/authorization.

The irregularity was pointed out by Audit in September 2017. The executive replied that excess consumption of Gas was due to use of gas in inclinators which was not included in free authorization BOO.

The matter was discussed in DAC meeting held in January 2018. DAC was informed that a new BoO for actual inclusion of free consumption of sui gas was under process. DAC directed to convene a Board of Officers to reassess authorization of sui gas consumption and recovery be made accordingly.

Audit recommends expeditious finalization of Board of Officers as per DAC directives.

DP-S-123/2017-18

1.18 Recoverables – Rs. 241.598 Million

1.18.1 Non-deposit of Government share of rental income – Rs. 101.496 Million

According to Policy on use of A-1 Land circulated vide MoD letter dated 2nd April, 2008, in order to launch essential commercial activities required to serve the residents of the respective garrison, survey will be conducted by a board of officers to determine the actual area under usage. The rent shall be charged @ 6% per annum of existing revenue rate of the said land. Government’s share @ 25% of the rent so charged will be deposited into Government treasury.

During audit of following Navy units, for the financial year 2016-17, it was observed that commercial activities were being carried out on “A-1” land. However, Government share in the rent amounting to Rs. 101.496 million was not deposited into Government Treasury in violation of A-1 Land Policy as under:

(Rs. in million)

S. No	Units name	DP No.	Details of activities	Amount
1	PNS Dilawar, Karachi	S-314	Bahria Complex II & III, services mess	68.845
2	PNS Dilawar, Karachi	S-295	Commercial Shops	21.632
3	PNS Dilawar, Karachi	S-307	Petrol Pump, Squash Complex, Theater	8.619
4	PNS Bahadur, Karachi	S-281	Petrol Pump, NBP	2.400
T o t a l				101.496

Audit was of the view that delay in deposit reflected weak financial management.

Non-recoveries were pointed out by Audit in September 2017 & December 2017. For activities at S No. 04, executive replied that

Government share for petrol pump was deposited into Government treasury. No reply was received on account of other commercial activities.

The matter was discussed in DAC meeting held in January 2018. DAC directed that Board of Officers may be convened within one month for assessment of rent and deposit of Government share accordingly. No record was produced to Audit for verification till finalization of this report.

Audit stresses upon early deposit of government share in treasury.

1.18.2 Non-deposit of allied charges into Government treasury – Rs. 66.323 Million

JSI-4/2006 provided complete procedure for recovering of training allied charges from the Government of International Trainees attending courses in various institutions of the Pakistan Armed Forces through their respective embassies. Annexure ‘E’ to JSI-4/2006 further provided that different miscellaneous charges were also to be charged from international trainees.

During audit of PNS Bahadur, for the financial year 2016-17, it was observed that an amount of Rs.66.323 million was recovered from trainees on account of miscellaneous and allied charges like messing, washing, accommodation charges etc but the same were not deposited into Government treasury as required under above mentioned rule. Details are as under: -

(Rs. in million)

S No.	Unit/Formation	DP No.	Amount
1.	PNS Bahadur, Karachi	S-216	35.00
2.	PNS Bahadur, Karachi	S-280	31.323
T o t a l			66.323

Audit was of the opinion that non-deposit of allied charges resulted into loss to public exchequer.

Non-deposit of allied charges was pointed out by Audit in September 2017. The executive replied that the miscellaneous and allied charges were paid directly to respective training institutions by the international trainees.

The matter was discussed in DAC meeting held in January 2018. DAC directed that recovered amount be deposited into Government treasury and get it verified by Audit.

Audit stresses upon expeditious deposit of government revenue into treasury.

1.18.3 Non-recovery of allied charges – Rs. 59.026 Million

According to Rule-442 of Defence Services Regulations for MES, 1998, GE is responsible for making demands for payment of all revenues and for taking steps for its prompt realization.

During audit of following Navy units, for the financial year 2016-17, it was observed that Rs. 59.026 million were outstanding on account of electricity charges up to June 2017 but the same were not recovered. Details are as under:

(Rs. in million)

S No	Unit/Formation	DP No.	Amount
1.	GE (Navy) Karsaz, Karachi	S-65	30.342
2.	AGE (Navy) Maintenance, Ormara	S- 178	9.960
3.	GE (Navy) Karsaz, Karachi	S-47	2.400
4.	GE (Navy) Karsaz, Karachi	S-39	12.864
5.	PNS Dilawar, Karachi	S- 305	2.146
6.	GE (Navy) South, Karachi	S-124	1.314
T o t a l			59.026

Non-recovery of government dues reflected negligence of the management to safeguard public interest and led to accumulation of arrears.

Non-recoveries were pointed out by Audit in April 2017 & December 2017. The executive replied that efforts were being made to recover the outstanding amount.

The matter was discussed in the DAC meetings held in January, 2018. DAC was informed that partial recovery had been made and efforts were being made to recover the amount. DAC directed that amount recovered so far be got verified from Audit within 15 days and balance amount be recovered within 06 months.

Audit stresses upon expeditious recovery of the pointed out amount.

1.18.4 Non-recovery of income tax from contractors – Rs. 8.504 Million

As per Section-153 of Income Tax Ordinance 2001, as amended from time to time, every prescribed person making a payment for rendering or providing of services is liable to deduct tax from the gross amount of the bills at prescribed rates.

During audit of following Navy units, for the financial year 2016-17, it was observed that Rs 8.504 million were not deducted/less deducted on account of income tax from the final bills of contractors. Details are as under:

(Rs. in million)

S.No	Unit/Formation	DP No.	Amount
1.	GE (Navy) Karsaz, Karachi	S-52	2.766
2.	GE (Navy), Ormara II	S-05	2.492
3.	PNS Ahsan, Ormara	S-112	1.000
4.	AGE (Navy) Maintenance, Ormara	S-173	0.734
5.	PNS Ahsan, Ormara	S-102	0.630
6.	PNS Ahsan, Ormara	S-116	0.471
7.	GE (Navy), Construction, Manora	S-66	0.411
T o t a l			8.504

Audit was of the opinion that non-recovery of applicable taxes indicated non-observance of government rules/regulations.

Non-recoveries were pointed out by Audit in December 2016 & October 2017. The executive replied that recovery in some cases was under process, whereas in other cases income tax was deducted as per applicable rates.

The matter was discussed in the DAC meeting held in January, 2018. DAC was informed that recovery was in process. DAC directed that documents be provided to Audit for verification.

Audit stresses upon expeditious recovery of the pointed out amount.

1.18.5 Non-recovery of sales tax from contractors – Rs. 3.333 Million

Section 3 of Sales Tax Act, 1990 stipulates that subject to the provisions of this Act, there shall be charged, levied and paid a tax known as Sales Tax @ 17% of the value of taxable supplies made by a registered person in the course of furtherance of any taxable activity carried on by the person.

During audit of following Navy units, for the financial year 2016-17, it was observed that the sales tax amounting to Rs.3.333 million was either not deducted or less deducted on civil work contracts. Besides, no sales tax invoices were available on record. Details are as under:

(Rs. in million)

S No.	Unit/Formation	DP No.	Amount
1.	G.E (Navy) Construction Manora, Karachi	S-68	2.304
2.	G.E (Navy) Central Construction, Karachi	S-83	1.029
T o t a l			3.333

Audit was of the view that non-recovery of sales tax was violation of rules which resulted into loss to government exchequer.

Non-recoveries were pointed out by Audit in December 2016 & March 2017. The executive replied that sales tax was not applicable on civil works contracts for cases at S.No. 01, while for cases at S.No. 02 contractor has provided G.S.T invoices.

The matter was discussed in the DAC meeting held in January, 2018. DAC was informed that for S No. 01 recovery of G.S.T was in process and for S No. 02 G.S.T was deducted as per rule. DAC directed that sales tax be recovered within six months and sales tax already deducted be verified by Audit.

Audit stresses upon expeditious recovery of pointed out amount.

1.18.6 Non-recovery of sales tax on services – Rs. 2.916 Million

According to Baluchistan Sales Tax on Services ACT, 2015 dated 3rd July, 2015, first schedule (Classification of Services) (see sub-section (38) of section 2) Classification Description (1) (2) 9814.2000 Services provided by Contractors of building (including water supply, gas supply and sanitary works), roads and bridges, electrical and mechanical works including air conditioning), horticultural works, multi-discipline works (including turn-key projects) and similar other works. Sales tax at the rate of 15% charged.

During audit of PNS Ahsan, Ormara, for the financial year 2016-17 it was observed that an amount of Rs.19.450 million was paid to different contractors, however, sales tax on services @15% amounting to Rs. 2.916 million was not recovered as per rules. Details are as under:

(Rs. in million)

S. No	DP No.	Nature of Activity	Amount
1.	S-96	Repair of different items	1.500
2.	S-98&S-111	Transportation Service	0.945
3.	S-85	Conservancy Service	0.471
T o t a l			2.916

Audit held the views that non-recovery of government dues resulted into loss to public exchequer.

The recoveries were pointed out by Audit in March 2017. The executive replied that sales tax on services was not applicable on Pakistan Navy being Federal Government unit.

The matter was discussed in the DAC meeting held in January, 2018. DAC was informed that Pakistan Navy follows the rules of Federal Government; therefore, Baluchistan sales tax was not applicable. DAC pended the para and directed that a meeting would be held between A.S-II and M.A.G for final decision on the subject matter. The decision will be communicated to all concerned for compliance.

Audit recommends early recovery of sales tax on services as per rule.

1.19 Mis-procurement of stores – Rs. 63.703 Million

1.19.1 Irregular award of contracts – Rs. 63.703 Million

According to Rule 28(2) of PPRA Rules – 2004, opening of bids, all bids shall be opened publicly in the presence of the bidders or their representatives who may choose to be present, at the time and place announced prior to the bidding. The procuring agency shall read aloud the unit price as well as the bid amount and shall record the minutes of the bid opening. All bidders in attendance shall sign an attendance sheet. All bids submitted after the time prescribed shall be rejected and returned without being opened. Furthermore, rule 29, evaluation criteria, procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement, and rule 50, mis-procurement, any unauthorized breach of these rules shall amount to mis-procurement.

During audit of CMES (Navy) COMPAK, for the financial year 2016-17, it was noticed that 51 contracts valuing Rs. 63.703 million were concluded. The expenditure stood irregular due to following discrepancies:

- i. All contracts were advertised without mentioning the cost/value of work.

- ii. Report regarding announcement the results of bid evaluation giving justification for acceptance or rejection of bids was not maintained.
- iii. Evaluation criteria of bids were not maintained.
- iv. Attendance sheet of bidders at the time of opening of bid was not prepared.

Audit held the view that incurring of public fund expenditure without compliance of PPRA rules led to misuse of Government funds.

This was pointed out by Audit in August 2017. The executive replied that all contracts were concluded as per rules.

The matter was discussed in the DAC meeting held in January 2018. DAC was informed that procedure was adopted as per DSR, 1998. DAC directed for verification of relevant record and further directed that NHQ may issue instructions to all concerned for strict adherence to PPRA Rules during conclusion of contracts.

Audit recommends action against responsible for violation of rules.

DP-S-131/2017-18

Military Accountant General

1.20 Recoverable / Overpayments – Rs. 20.000 Million

1.20.1 Less recovery of mis-appropriated public money – Rs. 20.000 Million

According to Rule-1(a) to Financial Regulation Volume-II 1986, “the Government servant shall also be held personally responsible for any loss sustained by Government through fraud or negligence on his part and 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 contribute to the loss by his own action or negligence”.

During audit of the accounts of CMA (RC) Rawalpindi for the year 2015-16, it was noticed that an amount of Rs. 20.000 million was withdrawn by Mr. Sharfaraz Ansari, Junior Auditor/44384 from public money through bogus / fake claims. In this aspect an inquiry was held at appropriate level wherein it was proved that loss to the state has been occurred.

Audit was of the view that fraudulent payment was made due to weak financial and internal controls causing loss to the state.

The irregularity was pointed out by Audit in November, 2015, the executive replied that Muhammad Sarfaraz Ansari Ex-SA/44384 was found guilty of corruption and fraudulent payment of Rs. 20.000 million while serving in TA section. Inquiry process was launched and two (02) inquiries were conducted against him and charges leveled against him were proved and resultantly he was dismissed from service w.e.f. 5th August, 2015. He deposited only an amount of Rs. 3,992,937 so far. However, the case had been registered in FIA which was in progress.

The DAC in its meeting held in August, 2017 directed that recovery made, disciplinary action taken against the responsible and the remedial measures adopted to avoid recurrence of such instances in future,

be got verified from audit. Besides, FIA authorities be pursued vigorously for recovery of outstanding amount from the defaulters.

Recovery of Rs. 3,992,937 has been verified. Audit stresses for expeditious recovery of balance amount besides adoption of remedial measures to avoid such lapses in future and its verification by Audit.

DP-N-474/2016-17

CHAPTER-2

Ministry of Defence Production

2.1 Introduction

Ministry of Defence Production deals with procurement, indigenous production and manufacture of defence equipment and stores. This Ministry negotiates agreements and Memorandums of Understanding (MoUs) for foreign assistance or collaboration, loans for purchase of military stores, technical knowledge and transfer of technology. It also deals with export of defence products, marketing, and promotion of activities relating to export of defence products and procurement and research & development related matters of the defence sector. Under Armed Forces Development Plan this Ministry has undertaken mega projects like JF-17, Al-Khalid Tank, F-22P Frigate and AWACS Air Refueling System as well as F-16 Block 52, Radar System etc.

2.2 Brief comments on the status of compliance with PAC's directives.

The status of compliance of Public Accounts Committee (PAC) directives for the Audit Reports from 1985-86 to 2016-17 discussed during its various meetings held from July, 1992 to December, 2017 is given below:-

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance awaited / Non Complied	Percentage of Compliance
1	2	3	4	5	6
1985-86	15	01	0	01	0%
1986-87	12	0	0	0	0%
1987-88	17	13	01	12	7.69%
1988-89	14	05	0	05	0%
1989-90	14	02	0	02	0%
1990-91	10	02	01	01	50%
1991-92	15	04	0	04	0%
1992-93	15	03	0	03	0%

1993-94	26	04	0	04	0%
1994-95	22	0	0	0	0%
1995-96	28	12	03	09	25%
1996-97	91	63	02	61	23.80%
1997-98	55	05	0	05	0%
1998-99	0	0	0	0	0%
1999-00	86	33	03	30	9%
2000-01	140	48	34	14	70.83%
2001-02	44	27	10	17	37%
2002-03	0	0	0	0	0%
2003-04	01	01	01	0	100%
2004-05	08	08	04	04	50%
2005-06	27	06	05	01	83%
2006-07	07	06	02	04	33%
2007-08	08	08	08	0	100%
2008-09	16	03	03	03	100%
2009-10	13	01	0	01	0.00%
2010-11	Report not yet discussed				
2011-12	Report not yet discussed				
2012-13	Report not yet discussed				
2013-14	7*	4	0	3	0.00%
2013-14	Not yet discussed by sub PAC upt 50 million				
2014-15	Report not yet discussed				
2015-16	Report not yet discussed				
2016-17	Report not yet discussed				
Total	691	259	77	184	29.73%

Ministry of Defence Production fully complied with only 77 PAC's directives out of 259 which indicates that compliance of PAC directives was very slow and the Principal Accounting Officer should take necessary steps to expedite compliance of PAC's directives.

*** Above 50 million paras discussed by PAC**

Audit Paras

2.3 Irregular / Unauthorized payments – Rs. 218.966 Million and US \$ 39.000 Million

2.3.1 Unjustified rejection of technical offer and undue favor to other firm by awarding contract valuing US \$ 39.000 Million

As per Para-17 (e) of Purchase Procedure (Revised, 2002) Occasion of Re-tendering “At times the lender/Inspector makes important changes in specifications before the case is finalized into the form of contract. As such ITs with revised specification will have to be re-issued”.

Further as per Rule-10 of Public Procurement Rules, 2004, “Specification shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage.”

During audit of the accounts of Directorate General Defence Purchase, Rawalpindi for the year 2015-16, it was noticed that a contract was concluded with M/s Aerospace Long-March International Trade Co. Ltd China in financial year 2014-15 under Special Army Development Account (SADA) dated 25th June, 2015 through limited tendering. Two firms submitted their technical offers i.e M/s ALIT, China and M/s CPMIEC, China.

Technical offers against subject indent were opened on 4th May, 2015 and forwarded to technical authority i.e. Inspectorate of Electronics and Instruments (IE & I), Chaklala for scrutiny and clearance of TST by 19th May, 2015. IE & I, Chaklala revised the General Staff Requirement (GSR) and asked to approach the firms for confirmation/submission of compliance matrix to technical authority in accordance to new GSR. In response M/s CPMIEC, China, had asked for re-tendering for adhering of compliance matrix (change of specification in indent) according to revised GSR. Re-tendering with two-week time was

got approved by the DGDP authorities from Secretary (DP) on 27th May, 2015.

ITs with revised specification was required to be re-tender through widest possible competition as per decision of competent purchase authority. However, IE & I, Chaklala rejected the technical offer of M/s CPMIEC, China vide letter dated 2nd June, 2015 which was unjustified as instead of re-tendering, the contract valuing US \$ 39.000 million was awarded to M/s ALIT, China on 25th June, 2015 in violation of the order of competent authority.

Audit was of the opinion that award of contract without re-tendering was violation of orders of competent authority which indicates weak internal controls causing undue favour to the contractor.

The irregularity was pointed out by Audit in November, 2016, the executive replied that technical offer was rejected by IE & I, Chaklala and it was not in the preview of DGDP to accept/reject technical offer of any firm.

The reply was not justified. Technical offer of the M/s CPMIEC, China was irregularly rejected because re-tendering was got approved from Secretary (DP) due to change in specification and two-week time was given to both the firms for revised technical/commercial offer.

The DAC in its meeting held in November,2017 pended the para for one month. No further progress was reported to Audit till finalization of this report.

Audit stresses for early finalization of the contract besides investigation regarding non retendering of store in violation of competent authority and its verification by Audit.

DP-N-658/2016-17

2.3.2 Un-authorized conclusion of contracts – Rs. 218.966 Million

According to para-1(v) of Government of Pakistan, Ministry of Defence letter No. 7/6/2004-05/D-21 (Budget) dated 30th November, 2004, “The releases from “Special Transfer Account” shall be used for replenishment of stores”.

During audit of the accounts of Director Works & Chief Engineer (DP) Rawalpindi for the year 2015-16, it was noticed that eight contracts valuing Rs. 218.966 million were concluded out of Armed Forces Development Program (AFDP) fund for construction of residential blocks which was a violation of rule referred above and needed regularization.

Audit was of the opinion that incurring of expenditure other than the specified purpose was a violation of Government policy and tantamount to misuse of funds. This shows the weak internal controls on the part of management.

The irregularity was pointed out by Audit in January, 2017, the executive replied that requirements of objected works were approved by users and allocation of funds was made by users as per their requirement. The reply was not acceptable because the construction works were not covered under the Government letter referred above.

The DAC in its meeting held in November, 2017 directed the DW&CE (DP) to discuss/reconcile the case with Audit. No progress was reported to Audit till finalization of this report.

Audit recommends an expeditious implementation of DAC’s directive besides fixing of responsibility on the person(s) at fault and its verification by Audit.

DP-N-44/2017-18

2.4 Recoverable / Overpayments – Rs. 147.532 Million and US \$ 0.497 Million

2.4.1 Loss to state due to non-recovery of LD US \$ 458,800

As per clause-13 of the contract No. 1347/214/DGDP/PC-4 dated 29th March, 2011 delay in the delivery of stores up to 21 days will be regarded as grace period available to the supplier and the delivery date will be considered to have been automatically extended up to the limit without issuance of any formal amendments and payment of any liquidated damages. For delays beyond aforesaid period formal amendment to the delivery period will be issued with imposition of LD @ 2% per month but not less than 1% up to the limit of 10% on the supplier's fault.

During audit of the accounts of Director General Defence Procurement (DGDP), Rawalpindi for the year 2014-15, it was noticed that a contract for supply of weapons and sensors for 02 FAC(M) at a cost of US \$ 23.440 million was concluded between DGDP Rawalpindi and M/s China shipbuilding & offshore international Co. Ltd China on CIF Karachi. The stores were required to be delivered upto September, 2012 (extended). The supplier did not complete the supply even upto December, 2015. The firm was intimated through draft amendment dated 15th December, 2015 that a sum of US \$ 458,800 will be recovered as LD due to late delivery of FAC (M)-2 but no recovery was made.

Audit was of the opinion that non-delivery of stores till date and non-recovery of LD was due to weak internal controls on the part of management which resulted in loss to state.

The irregularity was pointed out by audit in April 2016, the executive replied that acceptance of FAC (M)-1 has been made within extended delivery period, i.e. 29th July, 2012. Another amendment will be processed upon receipt of recommendation of NHQ.

The DAC in its meeting held in November, 2017 pended the para for 03 months for final conclusion. No further progress was reported to Audit till finalization of this report.

Audit recommends for investigation of matter to fix responsibility on the person(s) at fault besides expeditious implementation of DAC's directive and its verification by Audit.

DP-N-680/2016-17

2.4.2 Undue favour to contractors due to non-conclusion of contract at risk and expense of the defaulting contractors – Rs. 78.785 Million and US \$ 0.038 Million

According to Para-I of Chapter-XI of PP & I 2002, “the specified delivery period is the essence of the contract. All the deliveries must be completed by the specified date. Upon failure by the supplier to deliver the store within the stipulated time frame the purchaser has to resort to the following in the best interest of state”.

- (a) To cancel the contract on the firm's risk & expense in case of complete failure.
- (b) To impose liquidated damages @ 2% per month up to a maximum 10% against the unsupplied store.

During audit of the accounts of DP (Navy) Rawalpindi for the year 2015-16, it was noticed that 12 contracts for procurement of different stores valuing Rs.76.540 million and US \$ 0.035 million were concluded with different contractors but the contracted stores were not delivered within stipulated delivery period. Neither the contracts were cancelled at the risk & expense nor liquidated damages were imposed on the defaulter contractors. Resultantly, undue favour to the tune of Rs. 78.785 million and US \$ 0.038 million as detailed below was extended to the contractors.

(Rs. in million)

S #	DP No.	Name of Unit / Formation	Contracts Amount	Amount of LD @ 10% to be imposed	Grand total incl LD
1	DP-N-626/2016-17	DP (Navy), Rwp	60.089	0.601	60.690
2	DP-N-664/2016-17	DP (Navy), Rwp	4.725	0.472	5.197
3	DP-N-670/2016-17	DP (Navy), Rwp	US \$ 0.035	US \$ 0.003	0.038

4	DP-N-672/2016-17	DP (Navy), Rwp	11.726	1.172	12.898
Total			76.540	2.245	78.785
			US \$ 0.035	US \$ 0.003	US \$ 0.038

Audit was of the opinion that non-imposition of LD and non-conclusion of risk and expense contracts indicates weak financial and internal controls on the part of management causing loss to the state.

The irregularity was pointed out by Audit during 2016-17, the executives replied that as per procedure, Contract Cancellation Warning (CCW) and Contract Cancellation Notice (CCN) had been issued to the firms and the contracts were under cancellation on the basis of risk and expense of the defaulting contractors.

The matter was discussed in DAC meeting held in November, 2017. Against serial No. 1 above, the DAC directed the management to encash Bank Guarantee/RE cost in 02 cases and recovery of LD charges in the remaining 07 cases. Against serial Nos. 02 to 04 above, the DAC directed the management that fresh contracts be concluded and establish risk and expense with forfeiture of Bank Guarantee within 03 months. No further progress was reported to audit till finalization of this report.

Audit recommends for expeditious implementation of DAC directives besides its verification by Audit.

2.4.3 Inordinate delay in finalization of risk and expense case – Rs. 45.837 Million

As per Para-1, Chapter-XI of Purchase Procedure and Instructions DP-35 (Revised-2002), the time for and the date of delivery of the stores as stipulated in the contract shall be taken as the essence of the contract. All deliveries must be completed within the dates specified in the contract. Should the Supplier fail to deliver the stores or any consignment thereof within the stipulated period or any extension thereof, the Purchaser shall be entitled at his option; to either (a) Cancel the contract and (b) to purchase from elsewhere stores not delivered at the risk and expense of supplier”.

During audit of the accounts of DP (Navy) Rawalpindi for the year 2015-16, it was noticed that contract No. 795010/R-802/370465, dated 28th June, 2008 concluded with M/s Metal Engineering Workshop for procurement of “Workshop Large Mobile type for Coastal Areas” amounting to Rs. 7,000,000 but the supplier failed to deliver the store. Resultantly, the contract was cancelled and it was decided to purchase the store at the risk and expense of defaulting contractor. After passage of more than 7½ years, contract could not be finalized and Risk and expense amount Rs. 45,837,200 (Rs. 52,837,200 – 7,000,000) calculated on quoted price of M/s SIMCO International Rawalpindi was required to be recovered from defaulting firm which was neither recovered nor was the contract finalized due to delay in acceptance and evaluation of offers.

Audit was of the view that non-conclusion of risk and cost was due to weak financial and internal controls causing loss to the state.

The irregularity was pointed out by audit in January, 2016, the executive replied that offer of M/s SIMCO was technically accepted but quoted rate of Rs. 45.160 million (without GST) against value of store of Rs 7.000 million (without GST) was 545% higher than cancelled contract price. Due to exhausting of funds for procurement of priority-I requirement of items, said contract could not be concluded. However, requirement was refloated opening date of 4th April, 2016.

The matter was discussed in DAC meeting held in September, 2017. The DAC was apprised that no risk and expense was involved in this case as the requirement no more exists. The DAC directed to show the Bank Guarantee to audit in case of its validity otherwise Court of Inquiry be held. No further progress was reported till finalization of this report.

Audit recommends for inquiry of matter at appropriate level besides encashment of Bank Guarantee and remedial measures to avoid such instances in future.

DP-N-369/2016-17

2.4.4 Loss to state due to non-recovery of advance payment from defaulting firm – Rs. 19.223 Million

According to Para-7 of section-22 of chapter-4 of DGMP's instructions 2004, whenever any sum or money becomes due to the Government from the supplier, purchaser shall recover the amount through liquidation of bank guarantee. In case where no bank guarantee has been provided the purchaser shall notify the amount involved to paying authority for affecting recovery from bills of supplier. Moreover, according to Para-14, upon failure of the supplier to complete the development project the purchaser shall be entitled to cancel the contract and purchase from elsewhere the store not delivered, at the risk and expense of the supplier.

During audit of the accounts of DGMP Rawalpindi for the year 2015-16, it was noticed that a contract deed dated 30th June, 2011 was concluded with M/s Pakistan Vehicle Engineering Karachi for indigenous development of Aircraft Refueler 20,000 liters at a cost of Rs. 96.140 million to be completed within 18 months. An advance payment of Rs. 19.223 million was released to the supplier in 2011. It was observed that despite passage of 05 years no progress was reported regarding development process. On the other hand the performance bank guarantee and bank guarantee against advance payment also got expired.

Audit was of the view that non-recovery of advance payment since 2011 besides non-delivery of stores and non-encashment of bank guarantees indicates weak internal and financial controls causing loss to state.

The irregularity was pointed out by Audit in November, 2016, the executive replied that firm's performance in the development project remained highly unsatisfactory. M/s PVE has failed to remove the anomalies highlighted during inspection by AHQs team. AHQ and DGMP have shown their serious concern over firm's poor performance. Approval of Secy (DP) for short closure of contract with maximum penalty through

legal litigation is under process at MoDP since August, 2016. The reply indicates that the management agreed with the audit point of view.

The DAC in its meeting held in September, 2017 directed the management to order a court of inquiry and submit the findings/recommendations within one month. No further progress in the matter was reported to Audit till finalization of this report.

Audit recommends expeditious finalization of inquiry proceedings, fix responsibility against the person(s) at fault besides initiation of necessary action against the defaulter's and recovery of advance alongwith interest from the contractor and its verification by Audit.

DP-N-536/2016-17

2.4.5 Non-recovery of risk and expense amount from defaulting firm – Rs. 3.687 Million

As per Para-1, Chapter-XI of Purchase Procedure and Instructions DP-35 (Revised-2002), the time for and the date of delivery of the stores as stipulated in the contract shall be taken as the essence of the contract. All deliveries must be completed within the dates specified in the contract. Should the Supplier fail to deliver the stores or any consignment thereof within the stipulated period or any extension thereof, the Purchaser shall be entitled at his option; to either (a) cancel the contract and (b) to purchase from elsewhere stores not delivered at the risk and expense of supplier”.

According to Para-13(d) of Chapter-XII of Purchase Procedure and Instructions 2002, in case firm does not deposit risk and expense amount in one year, procurement agency will institute suit in the civil court against the firm for recovery.

During audit of the accounts of Directorate of Procurement (Navy) for the year 2015-16, it was noticed that contract for procurement of Separator Element Fluid was awarded to M/s Diamond Enterprises, Karachi in June, 2011 but supplier failed to deliver the store. Resultantly,

the contract was cancelled and it was decided to purchase the store at the risk and expense of defaulting contractor. Risk and expense amount of Rs. 3,686,603 not was recovered from the defaulting contractor.

Audit was of the view that non-recovery of risk and cost amount was due to weak financial and internal controls causing loss to the state.

The irregularity was pointed out by audit in January, 2016, the executive replied that the CMA (DP) had been approached for deduction of risk and expense from the firm.

The DAC in its meeting held in September, 2017 directed to complete the action in the light of court of inquiry within one month and got it verified from audit. No evidence was provided to audit for verification till finalization of this report.

Audit recommends investigation into the matter to fix responsibility on the person(s) at fault besides recovery of risk and cost amount and its verification by Audit.

DP-N-370/2016-17

2.5 Loss to State – Rs. 86.570 Million and US \$ 5.500 Million

2.5.1 Loss to state due to blockade of Government money US \$ 5.500 Million

According to Para-7 of section-22 of chapter 4 of DGMP's instructions 2004, whenever any sum or money becomes due to the Government from the supplier, purchaser shall recover the amount through liquidation of bank guarantee. In case where no bank guarantee has been provided the purchaser shall notify the amount involved to paying authority for affecting recovery from bills of supplier. Moreover, according to para-14, upon failure of the supplier to complete the development project the purchaser shall be entitled to cancel the contract and purchase from elsewhere the store not delivered, at the risk and expense of the supplier.

During audit of the accounts of DGMP Rawalpindi for the year 2015-16, it was noticed that CA No. 1242/144/DMP (Air) dated 30th June, 2007 was concluded with M/s Linktronic, Chile for up gradation of 7 Mobile Pulse Doppler Radars along with transfer of technology package at a cost of US \$ 24.000 million by April, 2012. An amount of US \$ 5.500 million was released to the firm on completion of preliminary milestones. Despite payment and lapse of more than 9 years the contract was not finalized.

Audit was of the view that due to non- cancellation of contract on risk and expense the Government interest was compromised which reflects weak contract management and internal controls.

The irregularity was pointed out by Audit in November, 2016, the executive replied that the case is under process at the office of Attorney General of Pakistan as the firm refused to complete project due to law and order situation.

The DAC in its meeting held in September, 2017 directed to provide the evidence in support of encashment of bank guarantee to Audit and resolve the matter with foreign firm within three months. No further progress was reported to Audit till finalization of this report.

Audit stresses for expeditious implementation of DAC's directives besides recovery of advance payment and its verification by Audit.

DP-N-520/2016-17

2.5.2 Loss to state due to non-supply of POL – Rs. 52.840 Million

According to Para-18 of DP-35 (Revised-2002) concerning general conditions governing contracts of defence equipment/store, whenever, any amount becomes due/recoverable from the contractor, the purchaser shall notify such fact to the paying authority for effecting recovery.

During audit of the accounts of Director General Procurement (Army), Rawalpindi for the year 2015-16, it was noticed from Controller Military Accounts, Defence Purchase (DP) letter dated 2nd February, 2009 that an amount of Rs. 52.840 million was outstanding against M/s Caltex on account of non-supply of POL to Pak Army during 1996 to 2002.

Audit was of the view that non-recovery of outstanding POL charges since 1996 indicates weak internal and financial controls which resulted in loss to national exchequer.

The irregularity was pointed out by Audit in December, 2016, the executive replied that firm was contacted continuously. After 2006 the firm M/s Caltex was sold to M/s Chevron Pak Limited. The same issue was then raised with new firm allowing them time to resolve it, without taking any legal action. In case, the firm fails to settle the issue by July 2017, a law suit shall be filed against the firm.

The DAC in its meeting held in November, 2017 pended the para for 04 months as certain actions were required to be taken by DGP (Army). No further progress was reported to Audit till finalization of this report.

Audit recommends investigation into the matter to fix responsibility on the person(s) at fault besides expeditious recovery of the outstanding amount and its verification by Audit.

DP-N-26/2017-18

2.5.3 Loss to state due to ill planning and abnormal delay in finalization of risk and expense case – Rs. 33.730 Million

As per Para-1, Chapter-XI of Purchase Procedure and Instructions DP-35 (Revised-2002), the time for and the date of delivery of the stores as stipulated in the contract shall be taken as the essence of the contract. All deliveries must be completed within the dates specified in the contract. Should the Supplier fail to deliver the stores or any consignment

thereof within the stipulated period or any extension thereof, the Purchaser shall be entitled at his option; to either (a) Cancel the contract and (b) to purchase from elsewhere stores not delivered at the risk and expense of supplier”.

During audit of the accounts of DP (Navy) Rawalpindi for the year 2015-16, it was noticed that contract for procurement of “MT Breakdown Vehicles Qty-03” amounting to Rs. 12,770,004 was awarded M/s Metal Engineering Workshop on 16th June, 2008 but the supplier failed to deliver the stores. Resultantly, the contract was cancelled and the store was purchased at the risk and expense of defaulting contractor. After cancellation of contract, the case was initiated for re-tendering on 20th May, 2015. In response, the first lowest firm M/s Meraj (Pvt) Ltd Karachi quoted rate of Rs. 45,639,000. However, the procurement case could not be finalized and it was pending on 23rd February, 2016. Due to non-finalization of contract, the risk and expense cost amounting to Rs. 33,730,000 approximately was not recovered from the defaulting firm.

Audit was of the view that non-recovery of risk and cost amount indicates weak financial and internal controls which caused loss to the public exchequer.

The irregularity was pointed out by Audit in January, 2016, the executive replied that the contract was cancelled on 16th June, 2008 due to failure of defaulter firm. The efforts were being made to conclude contract. The IT was floated on on four occasions but contract not be finalized due to shortage of funds, technical rejection of bids and variation in specifications. If bid from a technically sound firm is received, the contract will be signed and recovery from defaulter firm will be initiated.

The DAC in its meeting held in September, 2017 directed to finalize the recovery of risk and expense amount within three months. No progress was reported to Audit till finalization of this report.

Audit recommends investigation into the matter to fix responsibility on the person(s) at fault besides expeditious recovery of RE amount and its verification from Audit.

DP-N-382/2016-17

2.6 Mis-procurement of stores – Rs. 44.005 Million

2.6.1 Procurement of vehicles without obtaining NOC from Ministry of Finance – Rs. 44.005 Million

According to Finance Division (Exp Wing) Islamabad letter No.7(1) Exp-IV/2014 dated 9th September, 2014, there will be a complete ban on purchase of all types of vehicles both for current as well as development expenditures except operational vehicles of law enforcing agency subject to NOC from Finance Division Islamabad.

During audit of the accounts of MRF Kamra for the year 2015-16, it was noticed that a case for procurement of 13 Nos. of different vehicles was referred to Finance Division (Exp wing) for issuance of NOC. Finance Division (Exp wing) did not agree with the executive for replacement of vehicles during financial Year 2015-16 and advised to proceed the procurement proposal in next financial year, i.e. 2016-17 but instructions of Finance Division (Exp wing) contained in their letter No.7 (7) Exp-IV/2016-412 dated 9th June, 2016 were not followed by MRF authorities and the vehicles were purchased at the cost of Rs. 44.005 million during the same financial year without obtaining No Objection Certificate (NOC) from Ministry of Finance, Islamabad which was irregular.

Audit was of the view that incurring of expenditure by disregarding Finance Division directives resulted into misuse of public funds which shows weak internal controls on the part of management.

The irregularity was pointed out by Audit in August, 2016, the executive replied that funds were allocated for procurement of vehicles to PAC Kamra in May, 2016. MRF processed the case for obtaining the

NOC. However same could not be finalized by Ministry of Finance due to paucity of time.

The reply was not tenable as Finance Division (exp wing) did not agreed with the purchase proposal and advised to process the case in the next financial year, i.e. 2016-17.

The DAC in its meeting held in November, 2017 directed PAC Board Kamra to follow the procedure in letter and spirit in future and initiate the case to Ministry of Defence Production for regularization. No further progress was reported to audit till finalization of this report.

Audit recommends to hold inquiry and fix responsibility on the person(s) at fault besides expeditious implemenation of DAC's directive and its verification by Audit.

DP-N-629/2016-17

Annexure-I

MFDAC Paras (DG North) 2016-17 and 2017-18

Pakistan Army

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
1.	2	2017-18	GE(A)GHQ Rwp	Avoidable extra expenditure due to provision of richer specification	1.828
2.	3	2017-18	S&T Br.Log Area Peshawar	Undue favour to contractor	426.168
3.	5	2017-18	GE(A) C-I Rwp	Un-authorized execution of residential works	262.342
4.	6	2017-18	GE(A) Jhelum	Un-authorized payment to contractor	1.033
5.	7	2017-18	School of Artillery Nowshera	Un-authorized payment through cash	251.933
6.	10	2017-18	501 CW EME Rwp	Un-authorized local purchase of NIV Items	2.084
7.	11	2017-18	GE(C-I) Rwp	Un-authorized payment to contractor	0.928
8.	13	2017-18	GE(A) C-I Rwp	Non production of sales tax invoices	7.497
9.	19	2017-18	GE(A) Services Peshawar	Un-authorized advance payment to PESCO	34.365
10.	30	2017-18	GE(A) Const-I Rwp	Un-authorized expenditure on conclusion of contracts for an un-authorized item of work	44.100
11.	36	2017-18	Ord Depot Nowshera	Un-authorized purchase of store	15.249
12.	37	2017-18	MF Khyber Okara	Un-authorized purchase due to non-observance of PP Rules	2.900

13.	42	2017-18	HQ Arty I Corps Mangla	Un-authorized payment of adhoc relief	3.195
14.	49	2017-18	GE (A) GHQ Rwp	Un-authorized expenditure for provision of solar system	45.627
15.	52	2017-18	GE(A) Services Mangla	Un-authorized expenditure out of Al-Mizan Fund	6.000
16.	53	2017-18	Ord Dept Nowshera	Un-authorized advance payment to contractor	3.588
17.	54	2017-18	GE(NDU) Isld	Less recovery of income tax on account of repair/maintenance	0.939
18.	64	2017-18	GE (A) Services	Un-authorized release of payment to TESCO for 11 KV independent feeder	13.200
19.	65	2017-18	GE (A) Kohat	Less recovery of Income Tax	2.297
20.	66	2017-18	AGE (A) Khanewal	Overpayment to contractor	0.961
21.	68	2017-18	CMH Mardan	Blockade of Govt money	1.330
22.	69	2017-18	CMH Nowshera	Loss to State	0.890
23.	70	2017-18	JSHQ Chaklala	Un-authorized retention of vehicles	31.239
24.	73	2017-18	35 (SP) Hy Regt Okara	Non observance of PP Rules	1.050
25.	74	2017-18	MF Khyber Okara	Un-authorized benefit awarded to contractor due to advance payment	4.090
26.	75	2017-18	COD Rawalpindi	Loss to state	1.230
27.	79	2017-18	GE (A) PMA Kakul	Irregular expenditure on operational works	435.000
28.	83	2017-18	GE (const-I) Rwp	Un-authorized expenditure on construction work	4497.646

29.	85	2017-18	19 Civil GT Coy ASC Rwp	Un-authorized requisitioning of civil vehicles due to non- observance of PPRA Rules	329.206
30.	86	2017-18	PMA Kakul	Un-authorized expenditure on construction work	2.962
31.	277	2016-17	CMH Lahore	Loss to state due to non-deposit of HRA in SWOL instead of Govt treasury	1.761
32.	283	2016-17	GE(Army) Atd	Non recovery of long outstanding rent and allied charges	1.389
33.	295	2016-17	GE(Army)-I Okara	Irregular conclusion of contracts	9.774
34.	296	2016-17	GE(Army)-I Okara	Irregular expenditure without fulfilling the PPRA Rules	11.674
35.	303	2016-17	Punjab Regt Center	Non deposit of rent of commercial projects	5.585
36.	304	2016-17	Armoured Corps Centre Nowshera	Unauthorized expenditure on POL due to holding of jeeps and tanks in excess of authorization	5.064
37.	305	2016-17	EME College Rawalpindi	Non recovery of Trg Charges from cadets	1.840
38.	321	2016-17	CMH Abbottabad	Loss to state due to non- implementation of Govt orders	1.268
39.	323	2016-17	GE(A)PMA Kakul	Un-authorized payment to contractor	52.316
40.	324	2016-17	AGE(A) Bannu	Incorrect payment / work of contract to deceased contractor	4.588
41.	328	2016-17	GE(A) Abbottabad	Blockade of Govt money due to purchase of RTE stores	10.286
42.	329	2016-17	MF Bangali	Irregular conclusion of contracts for supply of 50 ton maize oil cake	2.250
43.	330	2016-17	MF Bangali	Irregular conclusion of contracts for supply of 50 ton maize oil cake	1.090

44.	331	2016-17	ACE(A)10 Corps Rwp	Undue favour to contractor by wrong application of rates	1.105
45.	332	2016-17	ACE(A)10 Corps Rwp	Irregular expenditure on repair of building	4.926
46.	333	2016-17	MF Jhelum	Irregular award of contract in violation of PPRA Rules	59.071
47.	351	2016-17	AMC Rwp	Non-recovery of Govt charges from Military Cadets withdrawn during course	7.600
48.	352	2016-17	ADS&T Peshawar	Irregular utilization of AL-Mizan Fund in excess of allotment for conclusion of ASC contracts	52.386
49.	354	2016-17	GE(A)Svc Peshawar	Non-recovery of dues from HQ 102 Bde on account of Electric bill	1.285
50.	360	2016-17	7 AT regt Rawalpindi	Misappropriation of public money drawn for washing overall combination	2.452
51.	372	2016-17	GE(A)GHQ Rwp	Un-authorized award of bazar supply contracts without advertising on PPRA website	5.646
52.	373	2016-17	GE(Army) Atd	Non recovery of long outstanding allied charges	1.774
53.	378	2016-17	CMH Sialkot	Irregular LP of Electro Medical Equipment	2.870
54.	379	2016-17	QMG Fund DCI Isld	Irregular award of contract without publishing in PM and violation of PPRA Rules	8.488
55.	381	2016-17	ADS&T Log Area Phwr	Loss to state due to non- conclusion of contract at R&E of defaulting contractor	1.674
56.	383	2016-17	Armoured Corps Centre	Non deposit of rent of commercial activities	2.747
57.	384	2016-17	Ord Dept Nowshera	Irregular Payment on account of internal security allowance	7.634
58.	387	2016-17	AGE(A) Attock	Irregular payment before completion of work	11.349
59.	398	2016-17	QMG Fund DCI Isld	Un-authorized employment of officers on contract basis without the approval of project management board (PMB)	5.348

60.	402	2016-17	GE(A)Svc Peshawar	Non-recovery of cost of sui gas utilized beyond the authorized scale	9.635
61.	406	2016-17	ADS&T Log Area Phwr	Loss to state due to less accountal of Hide & Skins against Meat on Hoof	10.407
62.	408	2016-17	64 Sup Pl ASC Rwp	Non recovery of risk and purchase	2.809
63.	412	2016-17	GE(Constn-II) Rwp	Un-authorized sanctioning of heating and Air-conditioning system	18.221
64.	446	2016-17	ACE(A)10 Corps Rwp	Irregular award of contracts under Para-17 of DSR 1998	68.352
65.	447	2016-17	AGE(A) Bannu	Un-authorized expenditure without Govt sanction	22.063
66.	452	2016-17	AGE(A) Attock	Irregular expenditure on abnormal repair	12.526
67.	454	2016-17	GE(Svs) Peshawar	Irregular expenditure without Govt sanction	11.603
68.	460	2016-17	GE(A) C-II Rwp	Un-authorized payment to contractor for an item of work	10.000
69.	469	2016-17	GE(A) Abbottabad	Un-authorized conclusion of contract in piece meal	24.880
70.	470	2016-17	GE(A) Kohat	Irregular expenditure on abnormal repair work	27.805
71.	471	2016-17	ACE(A) Risalpur	Un-authorized sanctioning of residential accommodation	33.422
72.	472	2016-17	ACE(A) Rwp	Irregular expenditure on abnormal repair work	23.319
73.	482	2016-17	MF Okara	Irregular conclusion/execution of contract for supply of 100000 Empty Powder Tins	8.000
74.	483	2016-17	MF Bloan Okara	Irregular conclusion/execution of contract	13.430

75.	484	2016-17	MF Sargodha	Los sustained due to casualties of animals	6.200
76.	485	2016-17	MF Renala	Loss to state due to payment made at higher rates	15.690
77.	492	2016-17	GE(A) Tarbela	Undue benefit to contractor by releasing payment before completion of work	5.499
78.	494	2016-17	7 AT Regt Risalpur	Extra expenditure due to unauthorized consumption of meat	3.994
79.	495	2016-17	SSD Mangla	Irregular conclusion of contracts without advertisement on PPRA website	41.120
80.	499	2016-17	HQr Log Area Gujrwala	Non production of auditable documents	0.000
81.	503	2016-17	GE(A)II Okara	Irregular award of contracts in violation of PPRA rules	85.694
82.	504	2016-17	CMH Lahore	Overpayment of Pay and Allowances due wrong fixation of pay	1.840
83.	509	2016-17	CEBG Renala	Overpayment to contractor	6.728
84.	510	2016-17	MF Gujranwala	Irregular purchase of 71 ton commercially prepared concentrated cattle feed	2.165
85.	512	2016-17	MF Jhelum	Irregular award of contract in violation of PPRA Rules	12.225
86.	514	2016-17	GE(A) Tarbela	Irregular award of contract in violation of PPRA Rules	22.709
87.	515	2016-17	GE(A) Jhelum	Irregular sanctioning of expenditure without Govt. sanction	65.080
88.	525	2016-17	CMH Chunnian	Irregular purchase of life saving medicine	3.539
89.	532	2016-17	MF Sialkot	Irregular conclusion of contract for supply of 375 ton commercially prepared concentrated cattle feed (Cat-A)	12.375

90.	533	2016-17	MF Sialkot	Irregular conclusion of contract	10.213
91.	534	2016-17	MF Renala	Un-authorized acceptance of contract beyond financial power	7.900
92.	538	2016-17	GE(A)Svc Okara	Violation of PP Rules	25.501
93.	539	2016-17	GE(Svs) Sialkot	Un-authorized usage of bungalow / MOQs as guest rooms without re-appropriation	4.870
94.	540	2016-17	GE(Svs) Sialkot	Un-authorized payment to SNGPL	230.000
95.	541	2016-17	GE(Svs) Sialkot	Non observance of PPRA Rules	3.621
96.	542	2016-17	MF Gujranwala	Acceptance of contracts beyond financial powers	28.831
97.	543	2016-17	MF Multan	Acceptance of contracts beyond financial powers	20.601
98.	545	2016-17	MF Okara	Irregular conclusion/execution of contract for supply of 1000 tons skimmed milk powder	520.000
99.	547	2016-17	MF Renala	Irregular conclusion/execution of contract for supply of 1000 tons skimmed milk powder	520.000
100.	551	2016-17	MF Multan	Payment to contractor without actual execution of work	25.051
101.	552	2016-17	MF Renala	Overpayment to contractor	1.717
102.	561	2016-17	GE(Army) Kohat	Irregular award of contract in violation of PPRA Rules	28.337
103.	562	2016-17	COD Lahore	Irregular purchase of stores	9.450
104.	563	2016-17	PoL Depot Sargodha	Un-authorized expenditure out of Articles in Use Grant	3.320

105.	566	2016-17	MF Sargodha	Un-authorized payment to contractors without completion of contract	3.190
106.	568	2016-17	GE(A) Jhelum	Undue financial favour to contractor without completion of work and non-imposition of LD	6.508
107.	570	2016-17	MEO Peshawar	Non recovery of balance amount	0.942
108.	583	2016-17	GE(A) Nowshera	Overpayment for an item of work	1.351
109.	584	2016-17	502 CW EME Rwp	Un-authorized purchase due to splitting	56.670
110.	585	2016-17	BSD ASC Multan	Irregular local purchase of Dhall Channa	34.057
111.	607	2016-17	BSD ASC Multan	Un-authorized local purchase of ration	11.877
112.	608	2016-17	MF Kharian	Conclusion of contract	4.568
113.	635	2016-17	GE(A)Maint -II Rwp	Irregular sanctioning of expenditure	13.434
114.	637	2016-17	BSD ASC Multan	Un-authorized purchase of dry ration	11.990
115.	643	2016-17	GE(A) Nowshera	Un-justified payment to contractor	4.09
116.	644	2016-17	GE(A)GHQ Rwp	Un-authorized expenditure due to provision of AC	14.248
117.	645	2016-17	GE(A) Tarbela	Less recovery of income tax	1.007
118.	660	2016-17	MF Kharian	Loss due to purchase of milk at exorbitant rates	6.203
119.	661	2016-17	174 Engr.Bn Okara	Un-authorized expenditure for defence work	19.000
120.	676	2016-17	SSD Sargodha	Excess purchase of ration	4.787

121.	679	2016-17	Artillery Centre Attock	Un-authorized expenditure without proper documentation	4.000
Total					8849.110

Pakistan Air Force

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
122.	14	2017-18	AGE(Air) Murid	Un-authorized expenditure on purchases	7.354
123.	16	2017-18	AGE(Air) Murid	Un-authorized construction of MOQs	18.550
124.	24	2017-18	GE(Air)Maint Islamabad	Un-authorized expenditure on replacement of damaged window	4.953
125.	47	2017-18	GE(Air) Project Isld	Un-authorized execution of work	11.700
126.	59	2017-18	GE(Air) Lower Topa	Un-authorized expenditure without Govt sanction	6.374
127.	77	2017-18	PAF Base MM Alam	Un-authorized authorization of free electricity	17.440
128.	78	2017-18	PAF Base Skaser	Non provision of documents	0.000
129.	287	2016-17	PAF Base Kalabagh	Excess expenditure on sports activities	7.742
130.	297	2016-17	GE(Air) Peshawar	Unjustified payment on account of earth filling	1.974
131.	318	2016-17	Central Stock PAF Chaklala	Blockade of public money	1.095
132.	374	2016-17	PAF Hospital Rafiqui	Irregular conclusion of contracts of life saving medicines	77.292

133.	419	2016-17	GE(Air) Risalpur	Non regularization of expenditure	96.150
134.	422	2016-17	GE(Air) Lahore	Non recovery of store retained by contractor	1.021
135.	429	2016-17	GE(Air) Lahore	Overpayment to contractor	7.450
136.	450	2016-17	GE(Air) Mushaf	Irregular expenditure on abnormal repair	22.646
137.	461	2016-17	GE(Air) Lahore	Irregular expenditure for execution of abnormal repair	56.480
138.	462	2016-17	PAF Hospital Rafiqi	Irregular conclusion of contracts	27.850
139.	463	2016-17	PAF Base Lahore	Irregular consumption of POL	1.660
140.	464	2016-17	PAF Base Lahore	Irregular payment of Pay and Allowances	23.240
141.	491	2016-17	PAF Base Lahore	Non recovery of Tower Fee	2.320
142.	519	2016-17	PAF Base Lahore	Irregular payment of DMA/SMA	13.110
143.	555	2016-17	PAF Base Lahore	Non recovery of claim from Pakistan Railways	2.253
144.	556	2016-17	PAF Base Lahore	Irregular payment of DMA/SMA	2.043
145.	559	2016-17	GE(Air) Lahore	Non observance of PP Rules	52.530
146.	590	2016-17	PAF Base Peshawar	Un-authorized conclusion of ration contracts	337.421
147.	592	2016-17	AGE(Air) Murid	Un-authorized construction of MOQs	21.421
148.	595	2016-17	PAF Base Mushaf	Loss to state due to payment of sui gas charges	38.859

149.	614	2016-17	GE(Air)Maint Islamabad	Undue favour to contractor	1.944
150.	616	2016-17	GE(Air) Lahore	Overpayment to contractor	1.250
151.	653	2016-17	PAF Base Mushaf	Un-authorized expenditure on maintenance of golf club	1.180
Total					865.302

Pakistan Navy

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
152.	365	2016-17	GE(Navy)Maint Isld.	Irregular award of contracts in violation of PPRA Rules	28.399
153.	400	2016-17	GE(N)Maint Isld	Non-recovery of rent and allied charges	1.022
154.	571	2016-17	PNS Punjab Lhr	Non recovery of TA/DA	3.82
155.	605	2016-17	GE (Navy) Lahore	Irregular expenditure on purchase of furniture	1.675
Total					33.241

ML&C Deptt

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
156.	31	2017-18	CB D.I. Khan	Non deduction of with-holding tax	2.110

157.	46	2017-18	CB D.I. Khan	Non deposit of withholding amount into Govt Treasury	1.517
158.	269	2016-17	CB Walton	Loss to Cantt Fund	2.000
159.	274	2016-17	CB Lahore	Un-authorized installation of LED Light	4.486
160.	275	2016-17	CB Lahore	Non-recovery of composition fee	4.818
161.	289	2016-17	CB Lahore	Non-recovery of difference of TIP Tax	21.655
162.	290	2016-17	CB Nowshera	Non recovery of Premium	9.329
163.	291	2016-17	CB Abbottabad	Loss to Cantt Fund	3.988
164.	309	2016-17	CB Abbottabad	Overpayment to contractor	1.260
165.	315	2016-17	CB Rawalpindi	Loss to Cantt Fund due to favourism/less imposition of composition charges	9.203
166.	336	2016-17	CB Walton	Loss to Cannt Fund due to non-assessment of commercial building	13.803
167.	339	2016-17	CB Nowshera	Short recovery of Income Tax against auction of shops	5.655
168.	340	2016-17	CB Rawalpindi	Utilization of Cantt vehicles by un-authorized officer	2.434
169.	346	2016-17	CB Rawalpindi	Loss to Cannt Fund due to non-recovery of composition fee	4.910
170.	347	2016-17	CB Kohat	Non recovery of Property Tax	1.469
171.	348	2016-17	CB Kohat	Non deposit of property Tax	0.876

172.	349	2016-17	CB Kohat	Non recovery of Property Tax	5.998
173.	355	2016-17	CB Rawalpindi	Undue expenditure on purchase of staff car	1.337
174.	356	2016-17	CB Nowshera	Non imposition of Composition Fee	1.832
175.	357	2016-17	CB Nowshera	Non imposition of Composition Fee	4.125
176.	363	2016-17	CB Banuu	Non recovery of Shops Premium	26.26
177.	366	2016-17	CB Rawalpindi	Undue favour to lessee	9.925
178.	367	2016-17	CB Rawalpindi	Loss to Cantt Fund	3.214
179.	386	2016-17	CB Abbottabad	Loss to Cantt Fund	3.796
180.	394	2016-17	CB Rawalpindi	Loss to Cantt Fund	3.672
181.	395	2016-17	CB Nowshera	Non recovery of BTS Tower Fee	4.588
182.	397	2016-17	CB Taxila	Non recovery of Cattle Mandi Fee	1.162
183.	410	2016-17	CB Wah	Un-authorized use of residential property	2.325
184.	417	2016-17	CB Nowshera	Loss to Cannt Fund	11.212
185.	425	2016-17	CB Rawalpindi	Un-authorized purchase and provision of staff cars	3.382
186.	427	2016-17	CB Nowshera	Loss to Cantt Fund due to non-recovery of shops	5.680
187.	432	2016-17	CB Wah	Un-authorized change of purpose	11.545

188.	438	2016-17	CB Wah	Un-authorized construction of commercial Plaza	2.786
189.	443	2016-17	CB Murree	Non recovery of outstanding dues	10.904
190.	458	2016-17	CB Gujranwala	Loss of revenue due to non-recovery of rent	1.663
191.	465	2016-17	CB Taxila	Un-authorized payment to CIMLA Lahore	1.743
192.	466	2016-17	CB Taxila	Loss to Cantt Board due to less recovery of transfer of Immoveable property	24.661
193.	467	2016-17	CB Taxila	Loss to Cantt Board due to less recovery of transfer of Immoveable property	6.982
194.	473	2016-17	CB Taxila	Non recovery of outstanding House Tax	5.864
195.	478	2016-17	CB Rawalpindi	Loss to Cantt Fund	7.634
196.	479	2016-17	CB Taxila	Non recovery of composition fee	1.156
197.	480	2016-17	CB Taxila	Loss to Cantt Board	73.414
198.	501	2016-17	CB Multan	Non depositing of half pay of CEO	2.602
199.	505	2016-17	CB Multan	Loss due to non-finalization of assessment	3.780
200.	537	2016-17	CB Lahore	Non recovery of composition fee	2.624
201.	577	2016-17	CB Multan	Violation of budget Rules 1966	0.000
202.	578	2016-17	CB Multan	Un-authorized conclusion of contracts	0.937

203.	579	2016-17	CB Multan	Un-authorized conclusion of contracts	8.225
204.	580	2016-17	CB Multan	Loss to Cantt Fund due to non-refund of loan	2.500
205.	587	2016-17	CB Multan	Loss to Cantt Fund	11.100
206.	601	2016-17	CB Multan	Loss to Cantt Fund due to non-compliance of Government orders	7.709
207.	602	2016-17	CB Multan	Un-authorized change in Budget	2.335
208.	603	2016-17	CB Multan	Loss due to non-finalization of assessment	3.500
209.	609	2016-17	CB Lahore	Non realization of Pension Share	16.872
210.	610	2016-17	CB Multan	Loss to Cantt Fund	7.874
211.	612	2016-17	CB Multan	Loss to Cantt Fund due to non-auction of commercial unit	100
212.	613	2016-17	CB Multan	Un-authorized expenditure without re-appropriation	20.371
213.	615	2016-17	CB Rawalpindi	Un-authorized erection of marriage hall/restaurant in flash man hotel and non-imposition of composition fee	25.907
214.	631	2016-17	CB Banuu	Loss to Cantt Fund	28.366
215.	633	2016-17	CB Abbottabad	Un-authorized construction of commercial property	0.800
216.	634	2016-17	CB Mangla	Un-authorized procurement of store	7.534
217.	639	2016-17	CB Gujranwala	Loss of revenue due to non-recovery of House Tax	2.113
218.	646	2016-17	CB Banuu	Loss to cantt Fund due to non-assessment of commercial building	2.489

219.	649	2016-17	CB Multan	Non recovery of line/Ground Rent	4.201
220.	651	2016-17	MEO Peshawar	Un-authorized change of purpose	122.336
221.	667	2016-17	CB Risalpur	Loss to Cantt Fund due to less deposit of monthly installment	0.945
Total					711.493

MAG

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
222.	507	2016-17	CAAF Peshawar	Expenditure without advertisement on PPRA's website	2.104
223.	27	2017-18	CMA(P) Lahore	Loss to state due to overpayment of pension to civil pensioner	2.847

ISO's

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
224.	40	2017-18	AFIO Rawalpindi	Mis-procurement due to non-observance of PP Rules.	14.253
225.	343	2016-17	AFIC Rawalpindi	Loss to state due to non-recovery of Income Tax	11.808

Ministry of Science and Technology

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
226.	282	2016-17	NUST Islamabad	Un-authorized establishment of NUST Day Care Center	21.652

DP-Division

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
227.	15	2017-18	ASRF HIT Taxila	Non replacement of rejected store	USD 142.791
228.	25	2017-18	DGP(A) Rwp	Un-authorized conclusion of contracts	394.953
229.	45	2017-18	ARF PAC Kamra	Non deposit of production cost of utilities against commercial products	USD 705.609 M
230.	266	2016-17	HRF(M)HIT Taxila	Undue benefit given to contractor	2.131
231.	267	2016-17	HRF(M)HIT Taxila	Undue benefit given to contractor	1.866
232.	371	2016-17	DP(Navy) Rwp	Un-authorized conclusion of contract	39.287
233.	391	2016-17	HRF(T) HIT Taxila	Non provision of bank Guarantee and non-cancellation of contract at risk and expense of the defaulted firm	USD 738,177
234.	392	2016-17	DP(Navy) Rwp	Non replacement of rejected stores	USD5403 UKP3216
235.	393	2016-17	DP(Navy) Rwp	Un-authorized purchase of vehicles	274.752
236.	488	2016-17	Gun Factory HIT Taxila	Non surrender of savings	166.906
237.	489	2016-17	PAC Board Kamra	Non fulfillment of contractual obligation	EURO 531,590.45
238.	548	2016-17	ARF(PAC) Kamra	Irregular conclusion/execution of contracts	94.370
239.	549	2016-17	AMF Kamra	Un-justified payment released to a supplier	USD 0.058M
240.	550	2016-17	Gun Factory HIT Taxila	Overpayment to contractor due to non deduction of sales tax	56.833

241.	573	2016-17	DP(Navy) Rwp	Non receipt of stores	29.629
242.	581	2016-17	DGMP Rawalpindi	Loss to state due to non-removal of defects	USD 0.69
243.	582	2016-17	DGMP Rawalpindi	Undue favour to a firm	12.076
244.	623	2016-17	DGDP Rawalpindi	Loss to state due to non-recovery of Training Charges	USD 80,000
245.	624	2016-17	DGDP Rawalpindi	Blockade of Govt money	USD 343.32 M
246.	625	2016-17	DGDP Rawalpindi	Non production of auditable documents	USD 162.24 M SEK 1104.0 M
247.	627	2016-17	TMF HIT Taxila	Un due favour to contractor	27. 431
248.	628	2016-17	PAC Board Kamra	Un-justified conclusion of contract	134.623
249.	630	2016-17	DP(Air) Rawalpindi	Un-authorized procurement of luxury vehicles	35.670
250.	647	2016-17	ARF PAC Kamra	Un-justified conclusion of contracts	10.450
251.	648	2016-17	ARF PAC Kamra	Loss to state due to conclusion of contracts	USD 0.416 M
252.	652	2016-17	DP (N) Rwp	Un-authorized purchase of luxury vehicles during ban period	237.918
253.	662	2016-17	DP(Navy) Rwp	Undue favour granted to firm	3.397
254.	663	2016-17	DP(Navy) Rwp	Non replacement of rejected store	USD 6916
255.	671	2016-17	DP(Navy) Rwp	Undue favour granted to firm	USD 67473.75
Total				Rs. 1,486.715 (M), USD 1,355.283 M) UKP 0.003 (M) EURO 0.532 (M) SEK 1,104.000 (M)	

Annexure-II

MFDAC Paras (DG South) 2017-18

Pakistan Army

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
1.	08	2017-18	601 EME Workshop, Quetta	Conclusion of contract by giving less than prescribed response time in bidding process	1.404
2.	11	2017-18	GE Comm & Staff College, Quetta	Loss to state due to less recovery of water charges from consumers	4.584
3.	12	2017-18	GE Comm & Staff College, Quetta	Irregular rush of expenditure	42.835
4.	17	2017-18	GE (Army) Kashmore	Irregular/ Unjustified payment made to RTE staff	1.310
5.	19	2017-18	GE (Army) Khuzdar	Violation of PPRA Rules	11.730
6.	23	2017-18	GE (Army) Kashmore	Un-lawful award of contract	25.521
7.	35	2017-18	GE (Army)-II, Quetta	Award of contract without calling tender in violation of PPRA	104.514
8.	41	2017-18	GE (Army)-II, Quetta	Irregular Execution of work through term contract	1.300
9.	67	2017-18	SSD ASC Quetta	Non-recovery of charges of ration issued to FWO	2.857
10.	72	2017-18	Ordnance Depot Quetta	Non Adjustment of TA/DA Advance	2.594
11.	73	2017-18	CMES (Army) Malir	Award of tender after negotiation in violation of PPRA Rules	11.195

12.	78	2017-18	GE (Army)-I, Malir	Non-recovery of Sales Tax on market items	7.156
13.	80	2017-18	GE (Army) Maint, Pano Aqil	Undue benefit to contractor due to non-deposit of 5% security	4.953
14.	81	2017-18	GE (Army) Svcs Pano Aqil	Irregular execution of electrical works by unlicensed contractors	52.723
15.	84	2017-18	GE (Army)-I, Malir	Award of contract in violation of PPRA -	32.061
16.	89	2017-18	GE (Army) Const Pano Aqil	Non-recovery of sales tax on services	0.390
17.	99	2017-18	GE (Army)-II, Quetta	Non-recovery of Stamp Duty	2.486
18.	107	2017-18	GE (Army)-I, Malir	Overpayments to contractors	2.706
19.	165	2017-18	GE (Army)-I, Malir	Less deduction of income tax	11.437
20.	181	2017-18	CMES (Army) Malir	Non-recovery of stamp duty	3.099
21.	186	2017-18	Ordnance Depot Quetta	Irregular expenditure out of Special Security Division (SSD) funds	3.00
22.	192	2017-18	Ordnance Depot Quetta	Irregular running of staff car	1.400
23.	212	2017-18	Comm & Staff College, Quetta	Un-justified auction of stores without proper evaluation	1.669
24.	232	2017-18	GE (Army)-I, Quetta	Irregular conclusion of contract	423.107
25.	244	2017-18	GE (Army)-I, Malir	Non-recovery of Stamp duty	2.221
26.	248	2017-18	GE (Army)-II, Quetta	Overpayment to contractor	0.469

27.	256	2017-18	GE (Army)-II, Quetta	Unjustified expenditure from COAS Package	146.320
28.	263	2017-18	CMH Hyderabad	Unjustified payment to suppliers before receipt of stores	3.380
29.	266	2017-18	GE (Army)-I, Quetta	Unjustified rush of work in the month of June	1546.850
30.	269	2017-18	GE (Army)-II, Quetta	Less recovery of income tax	29.899
31.	282	2017-18	GE (Army)-I, Malir	Overpayment to contractor due to excess Rate of Schedule	0.408
32.	284	2017-18	CMH Hyderabad	Loss to state due to un-authorized installation of air-conditions	1.260
33.	286	2017-18	GE (Army)-II, Quetta	Unjustified rush of work	758.465
34.	290	2017-18	CMH Hyderabad	Non-recovery of Income tax on staff share for private practice	0.780
35.	294	2017-18	GE (Army)-II, Quetta	Overpayment to contractor	0.444
36.	304	2017-18	GE (Army)-II, Quetta	Unjustified Expenditure on A/c of UNRA	598.481
37.	309	2017-18	GE (Army)-I, Quetta	Illegal acceptance of contracts by the ACE	133.262
Total					3978.27

Pakistan Air Force

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
38.	24	2017-18	PAF Base Sumungli	Irregular payment of Daily messing Allowance & Special Messing Allowance	6.632

39.	26	2017-18	PAF Base Shahbaz, Jacobabad	Irregular expenditure incurred from wrong/incorrect Head of accounts	2.384
40.	27	2017-18	PAF Base Shahbaz, Jacobabad	Unjustified - irregular huge payment on account of overtime	8.224
41.	36	2017-18	PAF Base Masroor	Less recovery of Income Tax	3.259
42.	42	2017-18	PAF Base Masroor	Unauthorized procurement of machinery equipment without obtaining authorization from Government of Pakistan	34.786
43.	48	2017-18	PAF Base Masroor	Recoverable amount of conveyance charges from officers having staff car	3.900
44.	64	2017-18	PAF Base Masroor	Non-Deposit of Rent of BTS towers into Govt. treasury	0.773
45.	74	2017-18	PAF Base Korangi Creek	Unauthorized free energy consumption	77.628
46.	75	2017-18	PAF Base Masroor	Non-recovery of stamp duty	0.831
47.	79	2017-18	PAF Base Korangi Creek	Irregular payment of overtime allowance to civilians	11.120
48.	86	2017-18	GE (Air), Malir	Non-recovery of Stamp Duty - Rs. 0.599	0.599
49.	87	2017-18	PAF Base Korangi Creek	Non recovery of conveyance charges from officers having staff car	1.620
50.	93	2017-18	GE (Air), Malir	Irregular expenditure on procurement of Special Furniture	10.473
51.	95	2017-18	PAF Base Korangi Creek	Irregular issue of minor work sanction for furniture	14.626
52.	103	2017-18	GE (Air) Shahbaz, Jacobabad	Irregular execution of work	3.897
53.	119	2017-18	GE (Air) Shahbaz, Jacobabad	Irregular payment made to contractor without approva	95.442

54.	121	2017-18	PAF Base Korangi Creek	Un-authorized payment of SMA to Airmen	2.184
55.	132	2017-18	PAF Base Masroor	Purchases on quotations by splitting to avoid tenders	4.262
56.	156	2017-18	PAF Base Malir	Irregular payment of Daily Messing Allowance (DMA)	4.086
57.	184	2017-18	PAF Hospital Faisal, Karachi	Irregular issuance of one cheque for payment to multiple contractors	3.976
58.	185	2017-18	PAF Base Malir	Irregular drawl of Public Fund to avoid lapse of the budget	32.250
59.	215	2017-18	PAF Base Masroor	Non-recovery of rent of BTS towers into Government treasury	1.369
60.	224	2017-18	PAF Base Masroor	Irregular expenditure on purchase of Material Handling Equipments	3.921
61.	227	2017-18	PAF Base Masroor	Un-authorized payment of Special Messing Allowance/ Daily Messing Allowance	5.174
62.	234	2017-18	PAF Base Faisal	Non-recovery of conveyance allowance from officers availing staff car	3.360
63.	247	2017-18	PAF Base Masroor	Unjustified expenditure on overhauling of vehicles	0.600
64.	262	2017-18	PAF Base Faisal	Irregular expenditure on execution of anti-corrosion works	2.040
65.	267	2017-18	GE (Air) Faisal	Non-recovery of water charges from consumers	2.353
66.	270	2017-18	PAF Base Faisal	Unjustified monthly increase in payment of PAF conservancy contract	1.140
67.	271	2017-18	PAF Base Masroor	Irregular purchase of shipping & storage containers without scaling	2.943
68.	274	2017-18	GE (Air) Faisal	Unjustified conversion of Govt. buildings into Non-public Fund property	0

69.	283	2017-18	PAF Base Masroor	Non-recovery of conveyance charges from officers having Staff car	2.100
70.	289	2017-18	PAF Base Masroor	Irregular/ unjustified local purchase of store without scaling	6.094
71.	293	2017-18	PAF Base Masroor	Irregular purchase of store without UAL	3.935
Total					357.981

Pakistan Navy

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
72.	02	2017-18	GE (Navy)-II Ormara	Irregular Expenditure due to Violation of PPRA Rules	2266.148
73.	03	2017-18	GE (Navy)-II Ormara	Irregular Conclusion of contract	2029.282
74.	13	2017-18	GE (Navy) Eastern, Khi	Non-recovery of stamp duty	1.296
75.	14	2017-18	GE (Navy) Eastern, Khi	Irregular expenditure due to sanctioning of minor works by incompetent authority	35.914
76.	15	2017-18	GE (Navy) Eastern, Khi	Irregular award of contracts	5.094
77.	16	2017-18	GE (Navy) Eastern, Khi	Irregular execution of work through term contract	6.320
78.	18	2017-18	GE (Navy) Eastern, Khi	Unjustified purchase of fresh water through bowzer	113.800
79.	22	2017-18	PNAD Mauripur, Khi	Loss to state due to unauthorized appointment and misuse of casual labourers	16.977
80.	29	2017-18	GE (Navy) Comwest Gawader	Award of contract without calling tender in violation of PPRA	16.322

81.	32	2017-18	GE (Navy) Maint Karsaz Khi	Non-recovery of Stamp Duty	2.160
82.	37	2017-18	GE (Navy) Comwest Gawader	Irregular Admin approval and conclusion of CA beyond the financial powers and contractual powers	3.379
83.	38	2017-18	GE (Navy)-II Ormara	Non-recovery of Stamp Duty	3.00
84.	40	2017-18	GE (Navy) Comwest Gawader	Irregular split of work to be carried out through TC work	0.937
85.	44	2017-18	GE (Navy) Comwest Gawader	Less deduction of income tax	3.510
86.	45	2017-18	GE (Navy) Maint Karsaz Khi	Unauthorized provision of electric connection to Golf Club	30.00
87.	50	2017-18	GE (Navy) Maint Karsaz Khi	Loss to state due to Payment of Further 2% GST	41.687
88.	91	2017-18	PNS Ahsan Ormara	Un-authorized issuance of POL to Project-249 SPD	6.016
89.	92	2017-18	CMES (Navy) COMPAK	Irregular contract for supply of fresh water	10.00
90.	97	2017-18	PNS Ahsan Ormara	Irregular payment of Daily Messing Allowance to officers/CPOs/Sailors	1.700
91.	101	2017-18	CMES (Navy) COMLOG	Irregular conclusion of CAs extending undue financial benefit to the Contractors	30.762
92.	108	2017-18	PNS Ahsan Ormara	Non-recovery of house rent from the officers	7.920
93.	109	2017-18	PNS Ahsan Ormara	Non-recovery of electricity and water charges	4.752
94.	110	2017-18	PNS Ahsan Ormara	Award of contracts in violation of PPRA Rules	3.602
95.	117	2017-18	GE (Navy) Central Const, Khi	Non-recovery of Stamp Duty	0.468

96.	120	2017-18	CMES (Navy) COMLOG	Irregular award of fresh water contracts	20.00
97.	122	2017-18	GE (Navy) Eastern, Khi	Irregular execution of work against admin approval	2.891
98.	128	2017-18	PNS Ahsan Ormara	Unjustified payment of overtime allowance to civilian staff	19.400
99.	164	2017-18	PNS Ahsan Ormara	Irregular deposit of government revenue into non-public fund	7.200
100.	209	2017-18	GE (Navy) Comwest, Gawader	Execution of work without Project estimate (PE) and technical sanction	30.00
101.	219	2017-18	GE (Navy) Constr-II, Ormara	Overpayment of stores due to exorbitant rates	3.172
102.	240	2017-18	GE (Navy) Constr-I, Ormara	Unauthorized commencement of works	889.379
103.	241	2017-18	GE (Navy) Constr-I, Ormara	Non-production of PPRA record & contract agreements	1620.238
104.	264	2017-18	CMES (Navy) COMLOG	Irregular rush of expenditure in the month of June	200.596
105.	285	2017-18	GE (Navy) Constr-II, Ormara	Irregular award of contract in violation of PPRA Rules	27.127
106.	299	2017-18	AGE (Navy) Maint Manora	Unjustified expenditure on supply of fresh water -Rs 105.00	105.00
107.	302	2017-18	PNS Dilawar Khi	Irregular posting of PN officer for non-public activity	3.600
Total					7569.649

ML&C Deptt

S No.	DP No.	Year	Unit/Formation	Subject	Amount (Rs.)
108.	04	2017-18	DML&C, Karachi	Irregular expenditure on designing & planning of Road	3.00
109.	55	2017-18	MEO Quetta	Non Surrender of Funds	1864.420
110.	57	2017-18	MEO Quetta	Non Recovery of Premium & Ground Rent Causing Loss To State	53265.255
111.	61	2017-18	MEO Quetta	Non Deposited of Funds in the Govt Treasury against Land sold to Govt of Balouchistan	766.360
112.	62	2017-18	MEO Quetta	Non Surrender of Funds after closing of financial year	46.159
113.	130	2017-18	MEO Quetta	Unjustified disposal of 10 plots on Svy No: 528 without open auction	0
114.	137	2017-18	CB Clifton, Khi	Less deduction of income tax	11.975
115.	146	2017-18	CB Clifton, Khi	Unauthorized payments into DDO account	14.441
116.	160	2017-18	CB Clifton, Khi	Loss to cantonment fund due to non-obtaining of performance guarantee	26.800
117.	161	2017-18	CB Clifton, Khi	Non-recovery of cantonment dues from 268 commercial properties	0
118.	169	2017-18	MEO Quetta	Non-recovery of loan from Cantonment Boards & MEO Quetta	8.803
119.	175	2017-18	CB Karachi	Loss to Cantonment fund due to non-approval of building completion plan	5.011
120.	176	2017-18	MEO Quetta	Illegal occupation on various properties and lands measuring 10926.59 acres	0

121.	177	2017-18	CB Karachi	Less deposit of GST into Government treasury	1.119
122.	187	2017-18	DML&C, Quetta	Un-justified payment to CEO Ormara	6.500
123.	188	2017-18	DML&C, Quetta	Non-production of record - Rs. 8.696	8.696
124.	198	2017-18	CB Faisal, Khi	Non-recovery of advance income tax from builder	5.683
125.	200	2017-18	CB Faisal, Khi	Less deduction of income tax from contractor	10.00
126.	205	2017-18	CB Manora, Khi	unauthorized collection of taxes	10.04
127.	213	2017-18	CB Faisal, Khi	Non-recovery of cantonment dues	105.55
128.	260	2017-18	MEO Karachi	Non-production of record	471.530
129.	278	2017-18	DML&C Quetta	Irregular acquisition of land	0
130.	279	2017-18	MEO Karachi	Un-authorized occupation of Land after expiry of lease in 1986	0
131.	310	2017-18	CB Quetta	Loss to State due to structural faults, mismanagement and misappropriation.	0
132.	313	2017-18	CB Malir, Khi	Illegal occupation on 25.30 acres of A-1 land by AG's Branch Housing Dte/GHQ	0
Total					56631.342