AUDIT REPORT
ON
THE ACCOUNTS OF
MINISTRY OF FOREIGN AFFAIRS
AUDIT YEAR 2007-08

AUDITOR-GENERAL OF PAKISTAN
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preface</td>
<td></td>
<td>vii</td>
</tr>
<tr>
<td>Executive Summary</td>
<td></td>
<td>ix-x</td>
</tr>
<tr>
<td>Recommendations</td>
<td></td>
<td>xi</td>
</tr>
<tr>
<td>Section-I</td>
<td>Audit Report</td>
<td>1</td>
</tr>
<tr>
<td>Section-II</td>
<td>Comments on Internal Controls</td>
<td>15</td>
</tr>
</tbody>
</table>
## Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFS</td>
<td>Additional Finance Secretary</td>
</tr>
<tr>
<td>AIR</td>
<td>Audit and Inspection Report</td>
</tr>
<tr>
<td>ATDC</td>
<td>Afghan Trade Development Cell</td>
</tr>
<tr>
<td>CAO</td>
<td>Chief Accounts Officer</td>
</tr>
<tr>
<td>CP</td>
<td>Chief of Protocol</td>
</tr>
<tr>
<td>DA</td>
<td>Daily Allowance</td>
</tr>
<tr>
<td>DAC</td>
<td>Departmental Accounts Committee</td>
</tr>
<tr>
<td>DG Audit (F &amp; I)</td>
<td>Director General Audit (Foreign &amp; International)</td>
</tr>
<tr>
<td>FA Wing</td>
<td>Financial Advisor Wing</td>
</tr>
<tr>
<td>FMMA</td>
<td>Financial Management at Missions Abroad</td>
</tr>
<tr>
<td>FTR</td>
<td>Federal Treasury Rules</td>
</tr>
<tr>
<td>GFR</td>
<td>General Financial Rules</td>
</tr>
<tr>
<td>GST</td>
<td>General Sales Tax</td>
</tr>
<tr>
<td>HOC</td>
<td>Head of Chancery</td>
</tr>
<tr>
<td>HOM</td>
<td>Head of Mission</td>
</tr>
<tr>
<td>HQ</td>
<td>Headquarters</td>
</tr>
<tr>
<td>HSB</td>
<td>High Security Block</td>
</tr>
<tr>
<td>HVAC</td>
<td>Heating Ventilation and Air Condition</td>
</tr>
<tr>
<td>ICFM</td>
<td>Islamic Conference for Foreign Ministers</td>
</tr>
<tr>
<td>MB</td>
<td>Measurement Book</td>
</tr>
<tr>
<td>MOFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>NOC</td>
<td>No Objection Certificate</td>
</tr>
<tr>
<td>PAC</td>
<td>Public Accounts Committee</td>
</tr>
<tr>
<td>PAHIC</td>
<td>Pakistan High Commission</td>
</tr>
<tr>
<td>PAO</td>
<td>Principal Accounting Officer</td>
</tr>
<tr>
<td>PPRA</td>
<td>Public Procurement Regulatory Authority</td>
</tr>
<tr>
<td>PWD</td>
<td>Pakistan Works Department</td>
</tr>
<tr>
<td>TA</td>
<td>Travelling Allowance</td>
</tr>
<tr>
<td>TCP</td>
<td>Trading Corporation of Pakistan</td>
</tr>
</tbody>
</table>
PREFACE

Article 169 of the Constitution of the Islamic Republic of Pakistan read with Section 8 and other relevant provisions of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, requires the Auditor-General of Pakistan to conduct audit of receipts and expenditure from the Federal Consolidated Fund and Public Account.

This report is based on audit of the accounts of the Ministry of Foreign Affairs (HQ) and its local formations for the period 2006-07. The audit was conducted, on a test check basis by the Directorate General Audit (Foreign & International) during 2007-08 with a view to report significant cases of financial indiscipline and violation of prescribed rules/regulations to the respective stakeholders, for ensuring corrective as well as precautionary measures.

The audit findings indicate the need for adherence to rules and regulations. The accounting function in the Ministry of Foreign Affairs, as well as in the Missions abroad need to be strengthened for enforcing an effective system of monitoring and internal checks so that violations of similar nature are not repeated.

Audit observations included in the report were discussed with the Principal Accounting Officer in the Departmental Accounts Committee meeting and have been finalized in the light of written response.

The Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan.

Islamabad
Dated: 31.07.2009

TANWIR ALI AGHA
Auditor-General of Pakistan

Sd/-
EXECUTIVE SUMMARY

Directorate General Audit (F & I), (named as Directorate of Foreign and United Nations Audit until 1976) was established on 01.07.1964. The prime responsibility assigned to this office by the Auditor General of Pakistan was to conduct the audit of accounts of Ministry of Foreign Affairs and Pakistan Missions abroad. The Ministry of Foreign Affairs has 13 local formations (including its headquarters at Islamabad) besides 112 Missions/Consulates abroad. Some Missions have wings representing other Ministries, such as Defence, Commerce, Labour and Manpower, Zakat, Usher and Religious Affairs, Interior etc, whose accounts are also audited by the Directorate General Audit (F & I). 56 PIA stations located outside Pakistan are also audited by the Directorate General Audit (F & I).

The Directorate General Audit (F & I) carried out audit of Ministry of Foreign Affairs (HQ) and its 13 local formations during the audit year 2007-08. Expenditure audited was Rs 1,202.000 million which was 17% of total auditable expenditure of Rs. 7,078.961 million.

During the audit process, a large number of cases pertaining to financial indiscipline, violation of prescribed rules/regulations etc were noticed, which were reported to Secretary Ministry of Foreign Affairs seeking departmental response and holding meeting of the Departmental Accounts Committee. After completion of the prescribed audit process, 17 cases of serious nature have been selected for printing in this audit report. Amount held under observation in these cases is Rs 396.150 million which includes Rs 50.626 million in recoveries. Recoveries of Rs 5.519 million were effected during 2007-08 at the instance of audit and deposited into government exchequer.

The observations included in the Report are based on a sample audit. A brief summary of irregularities noted by audit is mentioned below:

- Un-authorized re-appropriation of funds – **Rs 52.258** million  
  Para [1]

- Un-authorized expenditure on treating state guests to foreign delegates – **Rs 3.402** million  
  Para [2]

- Non-adjustment/recovery of advances granted to officials/other departments, payment of honorarium, pay and allowances, income tax, payment of GST
without invoice and repair of building – **Rs 94.914 million**  

Paras [3 to 8]

- Non-accountal/provision of record of procurement, unauthorized maintenance of bank accounts and purchase of gifts – **Rs. 97.811 million**  
  Paras [9 to 12]

- Non-maintenance of measurement books, recovery of water and electricity charges, income tax from contractor and non fulfilments of contractual obligations, – **Rs 146.685 million**  
  Paras [13 to 16]

- Irregular expenditure on light refreshment – **Rs 1.080 million**  
  Para [17]

**RECOMMENDATIONS**

1. Principal Accounting Officer should take necessary steps to evaluate, institute and strengthen the management, budgeting and accounting controls to achieve the following objectives:

   i) adherence to the regulatory framework and canons of financial propriety which require public officers to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money;
   
   ii) prompt recovery of Government dues, wherever applicable, and their credit into Government Treasury;
   
   iii) mechanism devising for timely adjustment of advances granted to individuals/various Ministries/Departments

2. The Principal Accounting Officer should also take immediate steps to:

   i) strengthen the budget management system at Headquarters and Missions abroad.
   
   ii) effect recoveries of Government dues as pointed out in the report.
   
   iii) get the expenditure on irregular payments regularized, as pointed out in this report, from the competent authority.
   
   iv) Either Ministry of Foreign Affairs should follow prescribed rules/regulations to ensure transparent and economic procurement through open tendering or seek exemption from PPRA whenever required.

   x
v) ensure that the Departmental Accounts Committee meetings are held regularly to resolve matters and issue appropriate directives to avoid repetition of identical irregularities in future.

The PAC while discussing this report on 28.08.2015 issued directions out of which six were complied with and action taken. Besides an amount of Rs. Nil was recovered. The PAC directives are attached as Annexure A.
PARA 1  UN-AUTHORIZED RE-APPROPRIATION OF FUNDS
RS 52.258 MILLION

As per instructions contained in Sl. No. 11 (A) (iv) of Revised System of Financial Control and Budgeting 2006, neither Ministry nor the FA wing is competent to re-appropriate funds from, to, or within employees related expenses and utility charges. However, FA wing may submit such proposals to AFS (E), Ministry of Finance for approval.

In violation of above instructions, the Ministry of Foreign Affairs has re-appropriated an amount of Rs 52.258 million from restricted heads without seeking approval of AFS (E) which resulted in an un-authorised expenditure.

In response the Ministry informed that their Finance Directorate has been requested for views/immediate action in the light of audit observation.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that record would be provided for verification within one month.

No record was provided for verification till 1st July 2009.
(Para-2 of AIR MOFA (HQ) 2006-07).

PARA 2  UN-AUTHORISED EXPENDITURE OF RS 3.402 MILLION

As per existing procedure, Ministry of Foreign Affairs moves a summary (on each occasion) to the Prime Minister for approval regarding grant of status of state guests to foreign delegates. While going through the record/vouchers, it was noticed that ten delegations visiting Pakistan were provided accommodation as state guests at a cost of Rs 3.402 million, without approval of the Prime Minister. As such the whole expenditure was un-authorised.

In response the Ministry informed that the concerned section of the Ministry has been requested for immediate action in the light of audit observation.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the Ministry would provide the requisite sanctions within one month.

No sanction was provided till 1st July 2009.
(Para-12 of AIR MOFA (HQ) 2006-07)
PARA 3 NON-ADJUSTMENT OF ADVANCES AMOUNTING TO US$ 18,000/- (RS 1.44 MILLION)

As per instructions contained in Rule-668 of FTR, advances granted under special orders of competent authority to Govt. officers for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed accounts supported by vouchers or by refund as may be necessary. Further, Para-III of Ministry’s letter dated 03.08.2004 regarding financial management of Protocol Division says that no payment of tips may be made to the employees of the Mission and the PIA. The payment of tips will be made by Head of Mission in consultation with Chief of Protocol (CP) and the list of tips, duly signed by both HOM and CP, will be sent to the Ministry for record.

It was observed that an amount of US$ 18,000 was paid to Chief of Protocol for payment of tips during 2006-07 on Prime Minister’s visits abroad but no confirmation/adjustment thereof was available on record.

Detailed utilisation of US$ 18,000 duly signed by HOM of concerned Missions and Chief of Protocol be provided to audit for verification. Otherwise, whole amount be recovered from the concerned officer and reported to audit.

In response the Ministry informed that protocol section had been requested for immediate action in the light of audit recommendations.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the Ministry would provide the record to substantiate payment of tips.

No record was provided till 1st July 2009.

(Pra-42 of AIR MOFA (HQ) 2006-07)

PARA 4 NON-ADJUSTMENT OF ADVANCES AMOUNTING TO RS 67.896 MILLION

As per Rule 668 of FTR, Vol.-I, advances granted under special orders of competent authority to Government officers for departmental or allied purposes are subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary.

In the following five cases, advances amounting to Rs 67.896 million were granted to different government departments for misc. purposes but adjustment of the same is still awaited.
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Formation &amp; Period of AIR</th>
<th>Para No.</th>
<th>Amount (Rs in mill)</th>
<th>Payment made to</th>
<th>Purpose of Advance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MOFA (HQs) 2005-06</td>
<td>28</td>
<td>12.50</td>
<td>DG Rangers Punjab &amp; Sindh</td>
<td>Construction/repair of Pak-India boundary pillars</td>
</tr>
<tr>
<td></td>
<td></td>
<td>09</td>
<td>12.50</td>
<td>DG Rangers Punjab &amp; Sindh</td>
<td>Construction/repair of Pak-India boundary pillars</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10</td>
<td>12.24</td>
<td>DG ISI, DCO Rwp, Aiwan-e-Sadar, National Council for Arts</td>
<td>For Misc. purposes</td>
</tr>
<tr>
<td>2</td>
<td>MOFA (HQs) 2006-07</td>
<td>22</td>
<td>23.20</td>
<td>Trading Corporation of Pakistan</td>
<td>Purchase of rice and supply to Govt. of Niger(TCP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14</td>
<td>7.456</td>
<td>Trading Corporation of Pakistan</td>
<td>An advance payment of Rs. 26.2 million was made to TCP for supply of 1000 MT rice to Niger. But unspent balance of Rs. 7.456 million was not realized.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total 67.896</td>
</tr>
</tbody>
</table>

In response the Ministry informed that the matter had been taken up with the concerned for adjustment of advances.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that Ministry would take up the matter with the concerned departments for early adjustment of advances.

No further progress was reported by the Ministry till 1st July, 2009.

**PARA 5  **

**DOuble PAYMENT OF HONORARIUM WORTH RS 757,010**

As per powers delegated vide(Sl.# 17) of “Delegation of Financial Powers” Principal Accounting Officer is empowered to sanction the honorarium to an individual up to one month pay during a financial year. It further provides that other instructions issued from time to time should also be kept in mind while sanctioning the honorarium. In case where an employee is granted honorarium more than his / her one month pay in a current financial year, a summary should be moved for the approval of Prime Minister / Chairman Economic Coordination Committee of the cabinet for relaxation of rule in term of ECC decision laid down in Para 1(i) of the Finance Division O.M. dated 25.4.1995.
Audit observed that a payment of Rs 757,010 was made on account of honorarium equal to one month pay each to the officers and staff of the Ministry who had also drawn honorarium of the same amount from the funds allocated for ICFM in 6/07 in violation of the above O.M.

Audit requested that either the expenditure be got regularized from Finance Division or recoveries be made.

In response the Ministry informed that Finance Directorate of the Ministry had been requested for immediate action in the light of audit recommendations.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that Ministry would pursue regularization/recovery of double payment of honorarium.

No progress was reported till 1st July, 2009.

(Para-19 of AIR MOFA (HQ) 2006-07)

**PARA 6  NON-RECOVERY/ADJUSTMENT OF PAY AND ALLOWANCES, TA/DA, HBA WORTH RS 29.406 MILLION**

As per para 269 of GFR, Vol-I, adjustment of advances drawn by employees is required to be made upon return to headquarters or 30th June whichever is earlier. Similarly, as per Rule 668 of FTR, Vol-I, advances granted under special orders of competent authority to Government officers for departmental or allied purposes are subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary.

During audit of the accounts of the Ministry of Foreign Affairs, it was observed that recoveries of Rs 1.358 million on account of non deduction of house rent charges, overpayment of pay & allowances, TA/DA, House Building Advance and telephone charges etc. as pointed out during 2006-07 were not effected from the concerned officials., as detailed below:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Formations &amp; Period of AIR</th>
<th>Para No.</th>
<th>Amount recoverable</th>
<th>No. of persons</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Foreign Currency US$</td>
<td>Rs</td>
</tr>
<tr>
<td>1.</td>
<td>MOFA (HQ) 2006-07</td>
<td>25</td>
<td>403,782</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td></td>
<td>49</td>
<td>169,190</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50</td>
<td>8499.74</td>
<td>696,979</td>
</tr>
<tr>
<td></td>
<td></td>
<td>43(A)</td>
<td>245,140</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75</td>
<td>18,697,000</td>
<td>122</td>
</tr>
<tr>
<td>No.</td>
<td>Name of travel agents &amp; Vendors</td>
<td>Amount Rs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------------------------</td>
<td>------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Hotels</td>
<td>414,748</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>M/s Shirazi trading, Ibd</td>
<td>306,530</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>721,278</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In response Ministry informed that the matter has been taken up with the concerned officers/officials for recovery/adjustment.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that verification of recoveries, if made, be carried out by the Foreign Audit in coordination with Ministry (Cash I & II Sections) within one month.

Nothing was provided for verification till 1st July, 2009.

**PARA 7 LESS DEDUCTION OF INCOME TAX AND PAYMENT OF GST WITHOUT INOVICES RS 2.871 MILLION**

a) Under section 153 of Income Tax Ordinance 2001, Income Tax @ Rs.3.50% and 5% on the sale of goods and rendering of services is required to be deducted at source from the supplier.

Scrutiny of record revealed less deduction of Income Tax from different vendors etc. as tabulated below:

<table>
<thead>
<tr>
<th>Formation</th>
<th>Para No</th>
<th>Name of travel agents &amp; Vendors</th>
<th>Amount Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICFM 2006-07</td>
<td>9</td>
<td>Hotels</td>
<td>414,748</td>
</tr>
<tr>
<td>ICFM 2006-07</td>
<td>10</td>
<td>M/s Shirazi trading, Ibd</td>
<td>306,530</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>721,278</td>
</tr>
</tbody>
</table>

b) As per para-23 of Sales Tax Act 1990, a registered person making a taxable supply shall issue a serially numbered tax invoice at the time of supply of goods containing the name, address and registration number of the supplier, amount of sales tax and value inclusive of tax.

In violation of the aforementioned clause of Sales Tax Act, Ministry of Foreign Affairs purchased misc. items but 15% GST was charged without production of sales tax invoice as detailed below:
It was requested that recoveries pointed out as above may be effected from all concerned under intimation to audit.

In response Ministry informed that the matter had been taken up with the concerned quarters.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the Ministry would pursue the case with the concerned hotel/firm and report to audit within one month.

No progress was reported till 1st July, 2009.

**PARA 8 UN-AUTHORIZED REPAIR OF OFFICE BUILDING AMOUNTING TO RS 1.244 MILLION.**

As per Para 1.2 of Central Public Works Department (CPWD) Code, all federally financed original works and ordinary and special repairs shall be executed through the agency of Pakistan Public Works Department.

While going through the record, it was noticed that an amount of Rs 1.244 million was incurred by the Ministry of Foreign Affairs on repair and maintenance by itself, instead through Pak PWD/CDA, which is against the Govt. instructions. Further expenditure was split up to avoid the approval of next higher authority and other codal formalities as laid down under Para 146 of GFR Volume-I and Rule 12 of PPR 2004.

In response Ministry informed that the concerned section had been requested for immediate action in the light of audit recommendations.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the Ministry would get the expenditure regularized from the competent authority.

No regularization was received till 1st July, 2009.

(Para-32 & 38 of AIR MOFA (HQ) 2006-07)
PARA 9 NON-ACCOUNTAL/NON-PROVISION OF RECORD PERTAINING TO PROCUREMENT OF ASSETS RS 73.412 MILLION.

a) According to paras 146,159 & 160 of GFR Vol-I and Rule 12 of PPR 2004, the head of an office or any other officer entrusted with stores of any kind should take special care for arranging their safe custody, keeping them in good and efficient conditions for protecting them from loss, damage or deterioration. An inventory of the dead stock should be maintained in all Government offices in a form prescribed by competent authority, showing the number received, the number disposed of (by sale or loss) and the balance in hand for each kind of article.

During the audit of stores of the Ministry, the following irregularities were noticed:

i. The store was being handled by a Naib Qasid.
ii. The Stock Register for the period 2001-07 was found incomplete. The assets amounting to Rs 93.790 million were procured during 2004-05 to 2006-07 but stores valuing Rs 26.144 million only were entered in the Stock Register.
iii. Physical verification of the assets was not carried out during the whole period. As a result the Ministry was unable to determine the quantity, value and location of its assets.

b) It was further noticed that the Ministry had incurred a sum of Rs 3.809 million on purchase of physical assets during 2006-07. On the invoice, entry of stock register was made, but actually no entry of the specific items was found at that specified page. Since receipt of valuable stock items could not be confirmed under the above circumstances, as such the expenditure worth Rs 3.809 million was held doubtful.

It is requested that:

i. The Ministry should investigate the matter and take disciplinary action against the person(s) at fault.
ii. Prepare complete list of assets and identify the location of each item.
iii. Carry out physical verification to verify the existence of physical assets regularly.

In response the Ministry informed that they were in process of updating their inventory/dead stock register and inventory proforma for the purpose was also circulated to all of its sections. Two officials of the rank of Assistant of the Ministry have been assigned the job. Physical existence of the assets would be
checked after collecting and updating the information circulated in the above referred circular. The audit authorities would also be informed accordingly.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that Ministry would provide all record for verification within one week.

No record was provided for verification till 1st July, 2009.

(Para-16, 33 & 68 of AIR MOFA (HQ) 2006-07).

**PARA 10  UN-AUTHORIZED MAINTENANCE OF FOUR BANK ACCOUNTS WITHOUT APPROVAL OF GOVERNMENT.**

According to para 17 of GFR Vol-I and Section 14 of Auditor General’s Ordinance 2001, it is the responsibility of every departmental officer to provide auditable documents/record for audit scrutiny.

It was observed that the Ministry has been maintaining following four (04) Bank Accounts without the approval of the Finance Division.

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Title of account</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central fund for Pak community welfare</td>
<td>Habib Bank Foreign Affairs Branch</td>
</tr>
<tr>
<td>2</td>
<td>Donation from Kuwait for ICFM</td>
<td>Habib Bank Foreign Affairs Branch</td>
</tr>
<tr>
<td>3</td>
<td>Offshore Account</td>
<td>UBL, Dubai</td>
</tr>
<tr>
<td>4</td>
<td>Building Donated Fund</td>
<td>Abu Dhabi</td>
</tr>
</tbody>
</table>

Despite several requests, no response in this respect was provided to audit which was violation of AGP Ordinance:

It is requested that:

i. Ministry may clarify the matter and provide necessary information pertaining to purpose of opening of these accounts along with signatories, source of funding and its further utilization to audit.

ii. Detail of interest/profit earned thereon may also be provided to audit.

The para was forwarded to the Ministry and also discussed in the DAC meeting held on 30th May, 2009. It was decided that Ministry would provide the record for verification within one week.

No record was provided for verification till 1st July, 2009.

(Para-18 of AIR MOFA (HQ) 2006-07)
PARA 11 EXPENDITURE ON PURCHASE OF GIFTS AMOUNTING TO RS 24.399 MILLION

In terms of para VI of Ministry of Foreign Affairs letter No. DG (M & F)-25/2004 dated 3.8.2004 regarding Financial Management of Protocol Division, list of gifts given to foreign dignitaries/missions will be submitted to Foreign Secretary by Chief of Protocol through DG (M & F).

Contrary to the above provision, it was observed that Ministry incurred a sum of Rs 24.399 million on purchase of gifts for Prime Minister/President visits abroad during 2006-07. Following discrepancies were also noticed:

i. No policy exists in the Ministry regarding level of dignitaries and value of gifts to be presented
ii. The items purchased were neither taken on stock nor issued properly.
iii. The detail of countries visited was not available on record.
iv. The list of recipients was not provided to audit.

In the absence of non-observance of Public Procurement Rules and non-provision of documents, the expenditure of Rs 24.399 million was held irregular.

It is requested that: -

i. The distribution of gifts to the dignitaries may be shown to audit.
ii. A comprehensive policy regarding distribution of gifts should be formulated.
iii. All gifts items purchased during 2006-07 may be taken on stock and got verified by audit.
iv. Detail of countries be provided.
v. List of Recipients be provided.

In response the Ministry informed that the Deputy Chief of Protocol had been requested for views/immediate action in the light of audit recommendations.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the Ministry would respond to the Audit queries within one month.

No progress/record was provided for verification till 1st July, 2009.
(Para 65, 69 & 70 of AIR MOFA (HQ) 2006-07)

PARA 12 NON PRODUCTION OF RECORD

Under clause 7 and 8 of the Auditor General’s (Function, powers and Terms /conditions of service) Ordinance 2001, the audit of receipt and expenditure rests with the Auditor General of Pakistan. Moreover, under section 14(c) of the
Auditor General’s Ordinance 2001, he may call for such information as he may require for purpose of the audit and the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with request for information in as complete form as possible and with all reasonable expedition.

However, Ministry did not provide the following record to audit for scrutiny:

- Construction of Foreign Office Lodges at Islamabad during 2006-08.

In response the Ministry informed that the Deputy Chief of Protocol had been requested for views/immediate action in the light of audit recommendations. Response in the case is awaited.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the Ministry would provide the record within two weeks.

No record was provided till 1st July, 2009.

(Para- 78 of AIR MOFA (HQ) 2006-07)

PARA 13 PAYMENT WITHOUT MAINTAINING MEASUREMENT BOOKS FOR WORK COSTING RS 135.792 MILLION

In terms of Para 209-211 of Central Public Works Account Code, all work done by the contractors were required to be measured and recorded in the Measurement Books for payment to the contractors, being a permanent record.

The Project Director, High Security Block in Ministry of Foreign Affairs, Islamabad allowed payments to the contractor amounting to Rs 135.792 million upto 21st Interim payment certificate but no measurement, as required under the rules, was made in the Measurement Books. This resulted into non-maintenance of necessary accounting record and irregular payment of Rs 135.792 million. Under the above conditions, possibility of duplication of payment for work done by the contractor cannot be ruled out. Moreover, quality of work done cannot be vouched in the absence of Measurement Book

In response to the audit observation, consultant M/s NESPAK stated that the operating contract was not based on conditions of Central Public Works and was being operated under FIDIC conditions of contract, according to which certified payments to the contractor included details of measurements of the completed work items.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the Ministry would approach M/s NESPAK for provision of Measurement Books (MB) for verification within one month.
Measurement book(s) was not provided for verification till 1st July, 2009.
(Para- 88 of AIR MOFA (HQ) 2006-07)

**PARA 14  NON-RECOVERY OF WATER AND ELECTRICITY CHARGES RS 8.775 MILLION**

Ministry of Foreign Affairs awarded contracts for civil work and air conditioning of High Security Block at Ministry of Foreign Affairs to two different contractors. According to Special provision No.15.3.1 and 2 of the agreement, both the contractors were required to make necessary arrangements for water and electricity services in connection with the installation, operation and removal thereof and pay the cost of electricity and water consumed by all trades. In case of failure to get temporary electricity connection, a power generating set was to be furnished at sight to the satisfaction of the Engineer-in-Charge. On completion of the works the temporary water services equipments and piping was to be removed by the contractor at his own expense.

It was observed that both the contractors failed to provide documentary evidence regarding use of electricity and water in the project from which it is assumed that both used electricity and water from the Ministry. CDA has also given the contractor, a notice for recovery of electricity charges. Thus the government sustained a loss of Rs. 8.775 million on this account as detailed below:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Contractor</th>
<th>Electricity charges</th>
<th>Water charges</th>
<th>Total amount recoverable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>M/s Recent Construction Co.</td>
<td>2.718</td>
<td>2.036</td>
<td>4.754</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The recovery of electricity/water charges was calculated @ 2% and 1½% of payment made up to 21st running bill.</td>
</tr>
<tr>
<td>2</td>
<td>M/s Airtech Engineers</td>
<td>2.298</td>
<td>1.723</td>
<td>4.021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The recovery of electricity/water charges was calculated @ 2% and 1½% of the contracted amount of Rs. 114.902 million</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>5.016</td>
<td>3.759</td>
<td>8.775</td>
</tr>
</tbody>
</table>

It is requested that recovery of Rs 8.775 million on account of water and electricity charges may be made from the contractors under intimation to Audit.
In response Ministry informed that the Project office has already solicited approval of Special Secretary Ministry of Foreign Affairs for recovery from the forthcoming IPC of the contractors.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the recovery would be effected from the contractors and a committee constituted to investigate the source of water and electricity used by the contractors and report within one month.

No response was received till 1st July, 2009.

(Para- 83, 84 and 91 of AIR MOFA (HQ) 2006-07)

**PARA 15  NON-RECOVERY OF INCOME TAX AMOUNTING TO RS 0.918 MILLION**

According to Income Tax Ordinance, 2001, Income Tax @ 6% was required to be deducted from each payment made to the contractor on account of work done or services rendered.

The Project Director, High Security Block made advance payments for Rs 18.900 million and Rs 15.300 million vide NBP cheque No. 229218 and No.0001392 dated 15.04.2008 respectively to the contractor on account of purchase of cooling towers for installation of HVAC system at the High Security Block. But Income Tax as required under the rules was not deducted. This resulted into non-recovery of Income Tax amounting to Rs 2.052 million.

In response Ministry informed that upon recommendations of the project office income tax on 1st secured advance bill amounting to Rs 1.134 million has already been deducted from the 2nd Running bill of contractor. The remaining amount of Rs. 0.918 million would be deducted from the next bill.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that recovery already effected would be got verified by the Audit. Remaining amount of Rs 0.918 million would be recovered from contractor and got verified by Audit.

The recovery of Rs 1.134 million had been verified by Audit however, the progress on remaining amount was awaited till 1st July, 2009.

(Para-92 of AIR MOFA (HQ) 2006-07)

**PARA 16  NON-INSURANCE OF WORKS COSTING RS 120 MILLION AND RECOVERY OF PREMIUM OF RS 1.2 MILLION @ 1% OF CONTRACT COST.**

According to clauses 21.1–25 of agreement for construction of Rehman Baba School at Kabul, the contractor was required, without limiting his or the
employer’s obligations and responsibilities under clause -20 to insure the works together with materials and plant. He was also required to get third party insurance (including employer’s property) against liabilities for death or injuries to any person or loss or damages to the property arising out of the performance of the contract and provide such evidence to the employer prior to start of work. The required policies were enforceable both in Pakistan and in Afghanistan.

Contrary to above, the Director General, ATDC, Ministry of Foreign Affairs, did not get Insurance cover as per provisions of the agreement. In this way, the property of the Government amounting to Rs 120 million was put to risk and the contractor saved about 1 % of contract cost worth Rs 1.20 million (120 million x 01 %) of premium included in the bid offered. This resulted into non provision of Insurance cover to the property of the Government costing Rs 120 million and loss of Rs 1.2 million to government exchequer because the contractor failed to provide the insurance cover as per contract but received the insurance cost from the Ministry. Therefore, amount had to be recovered either from the contractor or from the person responsible.

The Ministry may clarify its position in this respect and recover the amount of Rs 1.2 million from the contractor or the person at fault.

In response Ministry has informed that as far as insurance of project is concerned, no insurance company can insure any property or project which is carried out on the soil of other country, especially in Afghanistan where war like conditions exist. There is no insurance company/bank operating in Afghanistan who can be requested to insure the project. Rehman Baba School is not the only project which has been completed by the Government of Pakistan but there are about 9 other projects which are being carried out and none of them is insured as desired.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the Ministry (ATDC) would provide detailed justification for non implementation of the insurance clause within one month.

Nothing was provided to audit till 1st July, 2009.

(Para- 19 of AIR ATDC 2006-07).

PARA 17 IRREGULAR EXPENDITURE ON LIGHT REFRESHMENT AMOUNTING TO RS 1.080 MILLION

The officers (B-20 and above) of the Ministry of Foreign Affairs are in practice to submit a fortnightly requisition slips to the comptroller banquet hall of the Ministry for provision of light refreshment without indicating details of meetings and number of participants which was against the Government instructions contained in Sl.No. 9 (38) of annexure to the Finance Division O.M. No.
F.3(2)exp/III/2006 dated 13.09.2006 while the officers draw entertainment allowance along with their salaries. Further the expenditure was debited to the Grant-54 of the ministry which was meant for Prime Minister/President's visits abroad and delegations.

Ministry had incurred a sum of Rs.1.080 million on light refreshments during 2006-07. In the absence of record/details of meetings, the whole expenditure was held irregular. It was requested that the expenditure incurred on this account may be recovered from all concerned under intimation to Audit.

The issue was discussed in the DAC meeting held on 30th May, 2009. It was decided that the Ministry would pursue the matter.

No progress was reported till 1st July 2009.

(Para 15 of AIR 2006-07)
Comments on Internal Controls

Internal control system is the most effective tool of management for good governance and for effective use of available resources. The internal control mechanism in the Ministry of Foreign Affairs and allied formations abroad is primarily regulated through the instructions prescribed in the Manual of Standing Orders 1981, and the Financial Management at Missions Abroad, Vol-I and II.

As per practice in vogue, CAO (MOFA), who is pay master of the Ministry is conducting internal check of Ministry / Missions as well which is against GFR & International Auditing & Accounting Standards. Being responsible to maintain accounts, he can’t effectively perform internal check functions due to conflict of interest. Moreover, the ineffectiveness of some of the controls and the non-adherence to rules was reflected during Certification Audit and were also detected during test audit exercise. The following instances were reflective of poor internal controls:

1. Non adjustment of advances;
2. Non-recovery of Government dues;
3. Payment of allowances to the employees not authorized to receive these allowances;
4. Procurement of stores in a non-transparent manner.

The concerned Principal Accounting Officer is requested to:

1. Introduce independent internal check system to strengthen its internal controls by establishing its own Internal Audit Wing.
2. Ensure capacity building of officers and staff at the Ministerial level as well as in the Missions abroad so that all concerned are aware of the relevant and existing rules and regulations relating to management and financial procedures;
3. Ensure that the irregularities and procedural lapses detected during test audit are considered as indicators for an exhaustive departmental effort to determine all other identical cases for potential remedial and corrective actions under intimation to Audit.
4. Make arrangements for prompt recovery of Government dues, wherever applicable, and their credit to Government Treasury.

----------------------------- x -----------------------------
ANNEXURE-A
OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Foreign Affairs was examined by the PAC on 28th August, 2015.

- 17 paras with some clubbed sub- paras were presented by the Audit Department which were examined by the Committee. Out of which 06 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.
MINISTRY OF FOREIGN AFFAIRS

ACTIONABLE POINTS

PAC MEETING: 28-08-2015

MINISTRY OF FOREIGN AFFAIRS
AUDIT REPORT YEARS 2007-08

1. PARA-1, PAGE-1 AR (2007-08)
UN-AUTHORIZED RE-APPROPRIATION OF FUNDS R.S. 52.258 MILLION

The Audit pointed out that as per instructions contained in St. No. 11 (A) (iv) of Revised System of Financial Control and Budgeting 2004, neither Ministry nor the FA wing is competent to re-appropriate funds from, to, or within employees related expenses and utility charges. However, FA wing may submit such proposals to AFS (E), Ministry of Finance for approval.

In violation of above instructions, the Ministry of Foreign Affairs has re-appropriated an amount of Rs. 52.258 million from restricted heads without seeking approval of AFS (E) which resulted in an un-authorised expenditure.

The PAO informed the Committee that it was decided in DAC, the case should be sent to Finance Division for regularization.

PAC DIRECTIVE

The Committee settled the Para subject to regularization of the amount from the Finance Division and its further verification by the Audit.

2. PARA-2, PAGE-1 AR
UN-AUTHORISED EXPENDITURE OF RS. 3.402 MILLION

The Audit pointed that as per existing procedure, Ministry of Foreign Affairs moved a summary (on each occasion) to the Prime Minister for approval regarding grant of status of state guests to foreign delegates. While going through the record/vouchers, it was noticed that ten delegations visiting Pakistan were provided accommodation as state guests at a cost of Rs. 3.402 million, without approval of the Prime Minister. As such the whole expenditure was un-authorized.

The PAO informed the Committee that it was decided in DAC meeting that the approval of Prime Minister should be provided to Audit within one week.
PAC DIRECTIVE

The Committee recommended the Para for settlement subject to the provision/obtaining approval to authorize the expenditure from the competent authority.

3. PARA 8, PAGE 4 AR
NON-RECOVERY/ADJUSTMENT OF PAY AND ALLOWANCES, TA/DA, HBA WORTH Rs. 29.406 MILLION

The Audit pointed out that as per Para 269 of GFR, Vol-I, adjustment of advances drawn by employees is required to be made upon return to headquarters or 30th June whichever is earlier. Similarly, as per Rule 668 of FTR, Vol-I, advances granted under special orders of competent authority to Government officers for departmental or allied purposes are subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary.

During audit of the accounts of the Ministry of Foreign Affairs, it was observed that recoveries of Rs. 1.358 million on account of non-deduction of house rent charges, overpayment of pay & allowances, TA/DA, House Building Advance and telephone charges etc. as pointed out during 2006-07 were not effected from the concerned officials, as detailed below:

<table>
<thead>
<tr>
<th>SL. No.</th>
<th>Formations &amp; Period of AIR</th>
<th>Para No.</th>
<th>Amount recoverable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Foreign Currency</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>US$</td>
</tr>
<tr>
<td>1.</td>
<td>MOFA (HQ) 2006-07</td>
<td>25</td>
<td>403,782</td>
</tr>
<tr>
<td></td>
<td></td>
<td>49</td>
<td>168,100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50</td>
<td>849,74</td>
</tr>
<tr>
<td></td>
<td></td>
<td>43(A)</td>
<td>245,140</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75</td>
<td>18,697,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>76</td>
<td>1,330,451</td>
</tr>
<tr>
<td></td>
<td></td>
<td>48</td>
<td>2,493,021</td>
</tr>
<tr>
<td></td>
<td></td>
<td>66</td>
<td>5,093,693</td>
</tr>
<tr>
<td>2.</td>
<td>MOFA, Camp Office Peshawar 2007-08</td>
<td>1</td>
<td>231.15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>11,960</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>188,668</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>29,406,836</td>
</tr>
</tbody>
</table>

PARA 49 MOFA (HQ) 2006-07

DAC recommended the Para for settlement subject to recovery of balance amount of Rs. 40,294.
PARA 50 MOFA (HQ) 2006-07

DAC recommended that relevant record be provided to Audit for verification.

PARA 43(A) MOFA (HQ) 2006-07

DAC recommended the Para for settlement subject to verification.

PARA 75 MOFA (HQ) 2006-07

DAC recommended the Para for settlement in 82 cases subject to verification of adjustment within one week and directed to get the advances adjusted in remaining 30 cases.

PARA 76 MOFA (HQ) 2006-07

DAC recommended the Para for settlement subject to verification of adjustment within one week.

PARA 48 MOFA (HQ) 2006-07

DAC recommended the Para for settlement subject to verification of adjustment / recovery already made and directed to effect recovery in remaining 06 cases.

PARA 66 MOFA (HQ) 2006-07

CAO informed the DAC that recovery of HBA has been made from the salary of officers. DAC recommended the Para for settlement subject to verification of bank sheets available in CAO office within 03 days.

PARA 12 & 3 CAMP OFFICE PESHAWAR 2007-08

While discussing the recovery/adjustment cases of late Mr. Safiullah Manwari, Ex-DCP, the Ministry also brought to the notice of DAC and another similar case of late Syed Qasim Hussain, Ex-Superintendent.

DAC recommended that recovery/adjustment in respect of the deceased official/officials may be got written off with the approval of Finance Division.

DEPARTMENTAL REPLY 19.08.2015
PARA 25 MOFA (HQ) 2006-07

Out of Rs. 549,854 due from 26 officials, recovery of Rs. 412,528 from 17 officials at sl. No. 1, 2, 4, 5, 6, 9, 10, 12, 13, 14, 15, 17, 19, 20, 23 & 26 has been made. Remaining 09 officials/officials are being pursued for recovery.
PARA-40 MOFA (HQ) 2006-07

The recovery from the officer is in process @ Rs. 2,014 per month and upon completion will be intimated to Audit.

PARA-50 MOFA (HQ) 2006-07

The TADTA bill of the officer had been adjusted and settled by the Chief Accounts Officer. Matter was referred to Audit on 30.06.2015 for settlement of Para. In response, Audit has desired to provide the detailed documents on account of which TADTA bill of the officer was settled. The Chief Accounts Officer and Finance Directorate have been requested to provide the requisite documents to Audit for scrutiny. Response is awaited.

PARA-43(A) MOFA (HQ) 2006-07

The adjustment/recovery from all the officers has been made and got verified by Audit and recommended the Para for settlement.

PARA-75 MOFA (HQ) 2006-07

Adjustment in 13 cases, out of 112 cases has been made and confirmed by the Chief Accounts Officer. The CAO’s adjustment has been provided to Audit and verified. However, settlement certificate from Audit is awaited. Remaining 29 cases are being pursued for adjustment.

PARA-75 MOFA (HQ) 2006-07

The adjustment in all case have been made and verified by Audit. The Para has been recommended for settlement by Audit.

PARA-48 MOFA (HQ) 2006-07

Out of 12 officials, Para in respect of 04 at sl No 4,9, 10 & 12 has already been settled by audit. Recovery from 3 officials at Sl No 3,5,6 has also been made and referred to the CAO for confirmation. Remaining 5 officials have either dismissed from service or retired, however, they are being pursued for adjustment/recovery.

PARA-48 MOFA (HQ) 2006-07

Out of 10 cases, recovery from 6 has been completed and verified by Audit and in remaining 4 cases recovery is being made regularly from the pay and verified by Audit.

DAC may recommend the para for settlement.
The officer Mr. Saiful Islam has expired. Personnel Directorate and CAO have confirmed that the legal heirs of officer did not claim his pension/commutation so far. The case for write off has been initiated by Personnel Directorate. Outcome will be intimated accordingly.

PAC DIRECTIVE

The Committee settled the Para 6 along-with all clubbed sub-para's subject to recovery of remaining amount and verification by the Audit.

4. PARA 7 PAGE 54R

LESS DEDUCTION OF INCOME TAX AND PAYMENT OF GST WITHOUT INVOICES Rs. 2,371 MILLION

The Audit pointed out that under section 153 of Income Tax Ordinance 2001, Income Tax @Rs.3.5% and 5% on the sale of goods and rendering of services is required to be deducted at source from the supplier.

Scrutiny of record revealed less deduction of Income Tax from different vendors etc. as tabulated below:

<table>
<thead>
<tr>
<th>Formation</th>
<th>Para No</th>
<th>Name of travel agents &amp; Vendors</th>
<th>Amount Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICFM 2006-07</td>
<td>9</td>
<td>Hotelia</td>
<td>414,740</td>
</tr>
<tr>
<td>ICFM 2006-07</td>
<td>10</td>
<td>Ms Shnaz Trading, ltd</td>
<td>306,550</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>721,290</strong></td>
</tr>
</tbody>
</table>

Moreover as per Para-23 of Sales Tax Act 1990, a registered person making a taxable supply shall issue a separately numbered tax invoice at the time of supply of goods containing the name, address and registration number of the supplier, amount of sales tax and value inclusive of tax.

In violation of the aforementioned clause of Sales Tax Act, Ministry of Foreign Affairs purchased m/s. Items but 15% GST was charged without production of sales tax invoice as detailed below:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Formation</th>
<th>Para No.</th>
<th>Amount Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MOFA (HQs) 2005-06</td>
<td>55</td>
<td>130,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(241)</td>
<td>159,225</td>
</tr>
<tr>
<td></td>
<td>MOFA (HQs) 2006-87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-------------------</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>1</td>
<td>235,000</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>3</td>
<td>3,525,500</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>20</td>
<td>1,482,112</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>2,483,287</td>
</tr>
</tbody>
</table>

DAC MINUTES HELD ON 07.07.2015
PARA-3 ICIFM 2006-07

CAO informed the DAC that payments are always made after deduction of taxes as per rules. DAC directed the CAO to scrutinize the record to confirm/verify the fact that income tax was deducted correctly and Protocol Division in coordination with CAO to get the record verified by Audit within one week.

PARA-10 ICIFM 2006-07

CAO informed the DAC that payments are always made after deduction of taxes as per rules. DAC directed the CAO to scrutinize the record to confirm/verify the fact that income tax was deducted correctly and Protocol Division in coordination with CAO to get the record verified by Audit within one week.

PARA-55 & 121 (1) MOFA (HQ) 2005-06

CAO informed the DAC that payments are always made after proper pre-audit and ensuring fulfilment of requirements regarding income tax and GST. DAC directed the CAO to scrutinize its record to confirm/verify the fact that GST invoices were available with the bills. GS Directorate in coordination with CAO to get the record verified by Audit within one week.

PARA-36 MOFA (HQ) 2005-06

CAO informed the DAC that payments are always made after proper pre-audit and ensuring fulfilment of requirements regarding income tax and GST. DAC directed the CAO to scrutinize its record to confirm/verify the fact that GST invoices were available with the bills. GS Directorate in coordination with CAO to get the record verified by Audit within one week.

PARA-3 ICIFM 2005-07

CAO informed the DAC that payments are always made after proper pre-audit and ensuring fulfilment of requirements regarding income tax and GST. DAC directed the CAO to scrutinize its record to confirm/verify the fact that GST invoices were available with the bills. Protocol Division in coordination with CAO to get the record verified by Audit within one week.
PARA-10 ICFM 2006-07

The CAO and Protocol have been requested to intimate latest status of recovery of income tax from the service-providing firms. The response is awaited.

PARA-11 ICFM 2006-07

The record has been verified by Audit and recommended the Para for settlement.

PARA-36 MOFA (HQ) 2005-06

GS Directorate has informed that matter has been taken up with concerned firms on 05.08.2015. Outcome will be intimated accordingly.

PARA-3 ICFM 2006-07

Protocol Division has again approached NADRA for settlement of issue. Response is awaited.

PARA-20 ICFM 2006-07

The GS and Protocol Division have been requested to approach the firms for recovery of GST. Response is awaited.

DAC HELD ON 20.08.2015

DAC directed the Ministry to ask the concerned firms to provide Income Tax returns of that year where the tax already paid otherwise recovery be made from all concerned. DAC considered the Para-10 of ICFM 2006-07 for settlement after verification of tax return of Mio Shapes Trading Co.
PAC DIRECTIVE

The Committee perused the Para 7 along with all clubbed sub paras and directed the PAC to hold a fact finding enquiry, fix responsibility and take action under E&D Rule within 60 days under intimation to PAC.

5. PARA 3 PAGE 7 AB
NON-ACCOUNTAL / NON-PROVISION OF RECORD PERTAINING TO PROCUREMENT OF ASSETS RS. 73,412 MILLION

a) The Audit pointed out that according to paras 146, 159 & 169 of GFR Vol-I and Rule 12 of PPR, 2004, the head of an office or any other officer entrusted with stores of any kind should take special care for arranging their safe custody, keeping them in good and efficient conditions for protecting them from loss, damage or deterioration. An inventory of the dead stock should be maintained in all Government offices in a form prescribed by competent authority, showing the number received, the number disposed of (by sale or loss) and the balance in hand for each kind of article.

During the audit of stores of the Ministry, the following irregularities were noticed:

i. The store was being handled by a Naib Casad.

ii. The Stock Register for the period 2001-07 was found incomplete. The assets amounting to Rs. 93,790 million were procured during 2004-05 to 2006-07 but stores valuing Rs. 26,144 million only were entered in the Stock Register.

iii. Physical verification of the assets was not carried out during the whole period. As a result the Ministry was unable to determine the quantity, value and location of its assets.

b) It was further noticed that the Ministry had incurred a sum of Rs. 3.089 million on purchase of physical assets during 2006-07. On the invoice, entry of stock register was made, but actually no entry of the specific items was found at that specified page. Since receipt of valuable stock items could not be confirmed under the above circumstance, as such the expenditure worth Rs. 3.089 million was held doubtful.

PARA 33 MOFA 2006-07

The record has been verified and Para recommended for settlement by Audit.

PARA 39 MOFA 2006-07

The record has been verified and Para recommended for settlement by Audit.

PAC DIRECTIVE

The Committee perused the Para 9 along with all clubbed sub paras with the direction to trace/construct the record within 90 days and get it verified from
The Committee directed the PAO to hold an inquiry/verify the disposal of issue from the Audit.

6. PARA 10, PAGE 8 AR
UNAUTHORIZED MAINTENANCE OF FOUR BANK ACCOUNTS WITHOUT APPROVAL OF GOVERNMENT

The Audit pointed out that according to Para 17 of GFR Vol-I and Section 14 of Auditor General’s Ordinance 2001, it is the responsibility of every departmental officer to provide auditable documents/record for audit scrutiny.

It was observed that the Ministry has been maintaining following four (04) Bank Accounts without the approval of the Finance Division:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Title of account</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central Fund for Pak community welfare</td>
<td>Habib Bank Foreign Affairs Branch</td>
</tr>
<tr>
<td>2</td>
<td>Donation from Kuwait for ICFM</td>
<td>Habib Bank Foreign Affairs Branch</td>
</tr>
<tr>
<td>3</td>
<td>Offshore Account</td>
<td>UBL Dubai</td>
</tr>
<tr>
<td>4</td>
<td>Building Donated Fund</td>
<td>Abu Dhabi</td>
</tr>
</tbody>
</table>

The PAO informed the Committee that as decided in DAC the Ministry will provide the approval of Finance Division for opening of Account titled, Central Welfare Account in HBL, Islamabed within one week.

PAC DIRECTIVE

The Committee recommended the Fara for settlement with the direction to PAO to look into the matter personally, hold an inquiry and take action against the officers/officials responsible as deemed fit under intimation to PAC within 60 days.

7. PARA 11, PAGE 8 AR
EXPENDITURE ON PURCHASE OF GIFTS AMOUNTING TO RS 24.398 MILLION

The Audit pointed out that in terms of Para VI of Ministry of Foreign Affairs letter No. DG (M & F)-25/2004 dated 3.8.2004 regarding Financial Management of Protocol Division, list of gifts given to foreign dignitaries/missions will be submitted to Foreign Secretary by Chief of Protocol through DG (M & F).

Contrary to the above provision, it was observed that Ministry incurred a sum of Rs 24.398 million on purchase of gifts for Prime Minister/President visits abroad during 2006-07.
7. PARA 22 & 78 MOFA 2006-07
DAC recommended the Para for settlement subject to verification of record regarding purchase and distribution of gifts by the Protocol Wing.

7. PARA 22 & 78 MOFA 2006-07
The record has been verified by Audit and recommended the Para for settlement.

DAC MINUTES HELD ON 20.06.2015
PARA 66: DAC directed the Ministry to provide ex-post-facto approval / emergency certificate from FAO to Audit.

PARA 68 & 70: In view of provision of record and verification by audit DAC recommended the Paras for settlement.

PAC DIRECTIVE

The Committee settled the Para subject to provision of emergency certificate by the FAO in case of Para 65. Parases 898790 were settled on the recommendations of the DAC.

8. PARA NO. 12, PAGE 8AR-12
NON PRODUCTION OF RECORD

The Audit pointed out that under clause 7 and 8 of the Auditor General's (Function, powers and Terms conditions of service) Ordinance 2001, the audit of receipt and expenditure rests with the Auditor General of Pakistan. Moreover, under section 14(c) of the Auditor General's Ordinance 2001, he may call for such information as he may require for purpose of the audit and the officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with request for information in as complete form as possible and with all reasonable expedition.

The FAO informed that as decided in the DAC meeting the case for the legal opinion regarding utilization of Kuwaiti donation fund will be sent to Ministry of Law.

PAC DIRECTIVE

The Committee directed the FAO to provide complete record to the Audit for conducting special Audit in this case.

9. PARA 13, PAGE 10 AR
PAYMENT WITHOUT MAINTAINING MEASUREMENT BOOKS FOR WORK COSTING RS 135.792 MILLION
The Audit pointed out that in terms of Para 209-211 of Central Public Works Account Code, all work done by the contractor were required to be measured and recorded in the Measurement Books for payment to the contractors, being a permanent record.

The Project Director, High Security Block in Ministry of Foreign Affairs, Islamabad, allowed payments to the contractor amounting to Rs 135.792 million under 21st interim payment certificate but no measurement, as required under the rules, was made in the Measurement Books. This resulted into non-maintenance of necessary accounting record and irregular payment of Rs 135.792 million. Under the above conditions, possibility of duplication of payment for work done by the contractor cannot be ruled out. Moreover, quality of work done cannot be vouched in the absence of Measurement Book.

In response to the audit observation, consultant M/s NESPAN stated that the operating contract was not based on conditions of Central Public Works and was being operated under FIDIC conditions of contract, according to which certified payments to the contractor included details of measurements of the completed work items.

**PAC Directive**

The Committee pondered the Para and directed the PAO to look into the matter, point out the officer who had issued the NOC and provide the record/NOC to the Audit for verification and report to Committee within 60 days.

10. **Para No. 14, Page 114A**

**NON-RECOVERY OF WATER AND ELECTRICITY CHARGES RS 8.375 MILLION**

The Audit pointed out that the Ministry of Foreign Affairs awarded contracts for civil work and air conditioning of High Security Block at Ministry of Foreign Affairs to two different contractors. According to Special provision No. 15.3.1 and 2 of the agreement, both the contractors were required to make necessary arrangements for water and electricity services in connection with the installation, operation and removal thereof and pay the cost of electricity and water consumed by all trades. In case of failure to get temporary electricity connection, a power generating set was to be furnished at sight to the satisfaction of the Engineer-in-Charge. On completion of the works, the temporary water services equipment and piping was to be removed by the contractor at his own expense.

**Para 84 (Water) MOFA (HQ) 2006-07**

DAC recommended the Para for settlement subject to verification of record by the SP Directorate regarding documentary evidences to the fact that the water arrangements was made by the Contractor himself.

**Para 81 MOFA (HQ) 2006-07**

DAC directed that all record regarding agreement / correspondence be provided to Audit for verification by the SP Directorate.
In compliance to DAC directives, the receipts of payments and relevant record was provided to Audit by SP(Division) vide letter No. SP(Audit)/2015/04 dated 22.07.2015 for settlement of Para. However, Audit has decided to provide further evidences. The Special Project Division has been requested to approach the Contractor and provide evidences/documents required by Audit. Response is awaited.

In compliance to DAC directives, relevant record was provided to Audit by SP(Division) vide letter No. SP(Audit)/2015/02 dated 23.07.2015 for settlement of Para. Audit accepted the plea regarding water charges and desired that recovery of electricity charges be effected or evidence to the effect that electricity was arranged by the Contractor be provided. The Special Project has been requested to effect recovery or provide evidence. Response is awaited.

**PAC DIRECTIVE**

The Committee perused the Para 14 along with all clubbed sub paras and directed the PAC that the final payment to the contractor should not be made until the full recovery of remaining amount and its verification by the Audit.

**11. PARA 15, PAGE 12 AR-NON-RECOVERY OF INCOME TAX AMOUNTING TO RS 0.910 MILLION**

The Audit pointed that according to Income Tax Ordinance, 2001, Income Tax @ 6 % was required to be deducted from each payment made to the contractor on account of work done or services rendered.

The Project Director, High Security Block made advance payments for Rs 10.940 million and Rs 15.300 million vide MPS cheque No. 229214 and No. 0001392 dated 15.04.2006 respectively to the contractor on account of purchase of cooling towers for installation of HVAC system at the High Security Block. But Income Tax as required under the rules was not deducted. This resulted into non-recovery of Income Tax amounting to Rs 2.652 million.

**DAC HELD ON 20.08.2015**

DAC recommended the Para for settlement subject to provision of copies of cheques of income tax issued in the name of ITD by the CAO to Audit.

**PAC DIRECTIVE**

The Committee settled the Para subject to provision of copies of cheques and their verification by the Audit.
PARAS RECOMMENDED FOR SETTLEMENT

12. i. PARA 3, PAGE-2 AR
NON-ADJUSTMENT OF ADVANCES AMOUNTING TO US$ 18,000 (RS.
1.14 MILLION)

ii. PARA 4, PAGE-2 AR
NON-ADJUSTMENT OF ADVANCES AMOUNTING TO RS 67.896
MILLION

iii. PARA 5, PAGE-2 AR
DOUBLE PAYMENT OF HONORARIUM WORTH RS 757,010

iv. PARA 6, PAGE-6 AR
UNAUTHORIZED REPAIR OF OFFICE BUILDING AMOUNTING TO
RS 1.244 MILLION.

v. PARA 15, PAGE-12 AR
NON-INSURANCE OF WORKS COSTING RS 120 MILLION AND
RECOVERY OF PREMIUM OF RS 1.2 MILLION & 1% OF CONTRACT
COST.

vi. PARA 17, PAGE-13 AR
IRREGULAR EXPENDITURE ON LIGHT REFRESHMENT AMOUNTING
TO RS 1,080 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned 6 Paras on the recommendations of Audit.