



AUDIT REPORT
ON
THE ACCOUNTS OF
KPOGCL (ENERGY & POWER
DEPARTMENT, KHYBER
PAKHTUNKHWA)
AUDIT YEAR 2021-22

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AY	Audit Year
BoD	Board of Directors
CA	Chartered Accountant
CCI	Council of Common Interest
CEO	Chief Executive Officer
DAC	Departmental Accounts Committee
DCEO	Deputy Chief Executive Officer
DG (PC)	Director General Petroleum Concession
FBR	Federal Board of Revenue
FIR	First Information Report
FY	Financial Year
HEC	Higher Education Commission
HR	Human Resource
IGFC	Inspector General Frontier Corps
JARD	Job Accountability Role Definition
KKKUK	Khushal Khan Khattak University, Karak
KP	Khyber Pakhtunkhwa
KPOGCL	Khyber Pakhtunkhwa Oil and Gas Company Ltd.
KUFPEC	Kuwait Foreign Petroleum Exploration Company
LPG	Liquified Petroleum Gas
MFDAC	Memorandum for DAC
M&P	Monitoring and Evaluation
MoU	Memorandum of Understanding
MPCL	Mari Petroleum Company Ltd.
NRTC	National Radio and Telecommunication Company
OGDCL	Oil and Gas Development Company Ltd.
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCA	Petroleum Concession Agreement
POL	Pakistan Oil Limited
PPRA	Public Procurement Regulatory Authority
PSE	Public Sector Enterprise
QHSE	Quality Health Safety Environment

RCID	Radio Controlled Improvised Devices
RFP	Request for Proposal
SCM	Supply Chain Management

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8, 12 and 15 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, require the Auditor-General of Pakistan to conduct audit of receipts and expenditure from the Federal Consolidated Fund, Public Accounts and that of Government Commercial Undertakings and of any Authority or Body established by the Federation.

This Report is based on audit of the accounts of Khyber Pakhtunkhwa Oil and Gas Company Ltd. (KPOGCL) for the financial years 2014-15 to 2020-21. The Director General Audit, Petroleum and Natural Resources, Lahore, conducted audit during February and March, 2022 on a test check basis, with a view to reporting significant findings to the relevant stakeholders. The main body of the audit report includes material audit findings. Relatively less significant issues have been listed in the **Annexure-1** as MFDAC and will be pursued with the Principal Accounting Officer at Departmental Accounts Committee level and in all the cases where the PAO does not initiate appropriate action, the audit observation will be brought to the notice of the PAC through the next year audit report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

This Report has been finalized in light of discussion in the DAC meeting and written responses of the management.

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

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Islamabad
Dated: February 27, 2023

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Director General Audit, Petroleum and Natural Resources, Lahore is responsible for conducting audit of the Ministry of Energy (Petroleum Division), its attached departments and Public Sector Entities including Provincial holdings.

The Directorate General of Audit has a human resource of 85 officers and staff having 20,922 man days. The annual budget for the audit activities amounted to Rs 169.274 million for the Financial Year 2021-22. This office carried out audit of KPOGCL under the administrative control of Energy and Power Department of Khyber Pakhtunkhwa for the Financial Years 2014-15 to 2020-21, during February and March, 2022. The objective of the compliance audit of newly established KPOGCL was to examine, whether company hired Human Resource in a transparent manner, internal controls were established and procurement was carried out according to applicable laws. Audit scrutinized record at the KPOGCL head office, Peshawar. Interviews with management were also conducted to develop better understanding of the entity.

a. Scope of Audit

Director General Audit, Petroleum and Natural Resources conducted compliance audit of KPOGCL under administrative control of Energy and Power Department, Government of Khyber Pakhtunkhwa. Audit was carried out for the Financial Years 2014-15 to 2020-21.

b. Audit Methodology

The audit methodology included review of documents including BoD proceedings, HR manual issued by KPOGCL, procurement documents and other related events relevant to the organization. Corresponding files were also scrutinised and different revealed issues were discussed with the management. Sampling was done on random basis in accordance with the guidelines provided in Financial Audit Manual. Recruitment process was checked in detail and initial procurement was scrutinized in the light of applicable laws, rules and regulations.

c. Audit Impact

This audit will contribute towards improving transparency in recruitment and HR management, financial transparency in procurement and strengthening internal controls in the auditee organization through its findings. Competitive procurement processes, transparency in recruitment process and effective utilization of funds on its core activity were reinforced and further strengthened on pointation of Audit.

d. Comments on Internal Controls and Internal Audit Department

Internal controls in any organization comprise policies, procedures, rules, regulations, and monitoring mechanisms etc. These controls help in preventing fraud, waste, enhancing value for money, efficiency and transparency in the processes of the management. Internal controls are essential part of management's efforts to achieve its objectives and goals. A number of internal control weaknesses were observed relating to HR and Procurement during audit and communicated to the management accordingly.

e. Key Audit Findings

- i. KPOGCL incurred wasteful expenditure of Rs 157.452 million on irrational hiring of daily wage employees;¹
- ii. Wasteful expenditure of Rs 59.837 million was incurred on procurement of vehicles and office equipment by the management of KPOGCL;²
- iii. The management had to suffer a loss of Rs 50 million due to non-exercising of right of recovery in defamatory suit against KPOGCL;³
- iv. KPOGCL incurred wasteful expenditure of Rs 23.382 million on procurement of security equipment and payment of Special Duty Allowance;⁴
- v. The management of KPOGCL appointed officers prior to interview in different cadres resulting in irregular expenditure amounting to Rs 42.428 million;⁵ and

¹ Para 1.4.8

² Para 1.4.24

³ Para 1.4.9

⁴ Para 1.4.14

⁵ Para 1.4.1

- vi. The management of KPOGCL made irregular appointment of Chief Internal Auditor, Manager Corporate Finance & Taxation and subsequently assigned the duties of Company Secretary involving payment of Rs 38.895 million.⁶

f. Recommendations

- i. The management may rationalise expenditure on hiring keeping in view need assessment;
- ii. Steps must be taken to ascertain actual requirement of vehicles according to operational needs of the company and dispose of excess vehicles accordingly;
- iii. The management must pursue the court case vigorously;
- iv. The management must focus on core business activity and avoid wasteful expenditure on procurement of security equipment;
- v. Compliance of rules & regulations must be ensured at the time of recruitment, and
- vi. The management must strengthen internal controls by hiring Internal Auditor in transparent manner.

⁶ Para 1.4.3

Chapter-1

Khyber Pakhtunkhwa Oil and Gas Company Limited

1.1 (A) Introduction

Khyber Pakhtunkhwa Oil & Gas Company Limited (KPOGCL) was incorporated as Public Company on February 08, 2013 under Company Ordinance 1984 (now Companies Act, 2017) as a provincial holding company of the Government of Khyber Pakhtunkhwa pursuant to Clause 4.1.3(6) of Petroleum Exploration and Production Policy, 2012 (after the 18th amendment). KPOGCL started its business with effect from September 01, 2014. KPOGCL is a provincial oil & gas holding company based in Peshawar. The company has an authorized capital of 30,000,000 consisting of ordinary share of Rs 100 each. KPOGCL issued 19,000,000 of Rs 100 each in favour of Government of Khyber Pakhtunkhwa.

The company was established to carry out exploration and development of oil and gas resources, including production and sale of oil & gas related activities in the province of Khyber Pakhtunkhwa. The company also provides technical services to other exploration and production companies. According to HR manual of KPOGCL, approved sanctioned strength is 134 employees. The detail is tabulated below:

Grade	Designation	Approved strength	Available strength
10A	CEO / MD	1	1
EG-8	General Managers	2	-
EG-7	Managers	12	2
EG-6	Chief	5	5
EG-5	Deputy Chief	2	2
EG-4	Senior Officer	6	3
EG-3	Officers	10	18
EG-2	Junior Executive	56	49
EG-1	Assistant	4	3
J-4	Admn, Assistant Finance	5	4
J-3	Junior Clerk, Supervisor, Junior Engineer	7	6

J-2	Drivers	12	12
J-1	Naib Qasid	12	12
Total		134	117

(Source: Information provided by KPOGCL and data obtained from HR manual)

The appointing and terminating authority for various positions is as detailed below:

Position	Appointing Authority	Terminating Authority
CEO	Board / Government of KP	Board / Government of KP
CFO, Chief Internal Auditor and Company Secretary	Board of Director on the recommendation of HR / Audit Committee	Board of Director
General Manager	Board of Director on the recommendation of HR Committee of BoD	Board of Director on the recommendation of HR Committee of BoD
Manger	HR Committee of BoD	HR Committee of BoD
Chief and below	CEO on the recommendation of Management Selection Committee	CEO with reason to be recorded on the recommendation of management inquiry committee

(Source: HR Manual of KPOGCL)

KPOGCL is acting as operator and non-operator in the following blocks:

Sr. No.	Block name	Operator Name	Share of KPOGCL
Joint Venture Blocks up to 2.5%			
1	Pezu	OGDCL	1.62%
2	Kulachi	OGDCL	2.05%
3	Baratai	OGDCL	2.50%
4	Peshawar East	MPCL	1.84%
5	Paharpur	KUFPEC (Relinquished)	2.43%
6	Karak North	Tallahassee Res Inc.	2.50%
KPOGCL (Self operator)			
10	Miran (Lakki Block Swapped application submitted)	KPOGCL is itself operator	100%

(Source: Financial Statements 2019 of KPOGCL)

1.1(B) Comments on Budget and Accounts

Financial performance of the company during period of audit is given below:

(Rs in million)

Details	2020	2019	2018	2017	2016	2015	2014
Turnover	0.650	-	3.628	127.257	119.233	10.774	
Royalty / cost of services	(15.607)	-	(0.424)	(93.637)	(111.262)	(8.990)	
operating expenses					(127.533)	(72.352)	(17.341)
Gross loss	(14.95)	-	3.204	33.619			
E&P expenditure	(31.894)	(27.086)	(39.036)	(49.286)	(51.674)	(0.492)	
General and Administration expenses	(241.750)	(236.598)	(312.149)	(272.244)			
Other income	104.545	91.170	84.061	93.349	21.462	40.986	22.371
Finance cost/Taxation	(2.714)	-	(0.223)	(11.688)	(9.646)	(7.606)	(7.606)
Loss before tax	(186.769)	(172.515)	(264.143)	(206.250)	(159.420)	(22.467)	(2.576)

(Source: Financial Statements of KPOGCL. Note: Accounts for the FYs 2020-21 and 2021-22 were not finalized)

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 405.798 million were raised in this report during the audit of KPOGCL. Summary of audit observations classified by nature is as follows:

(Rs in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees Related Irregularities	313.361
B	Procurement Related Irregularities	23.690
2	Others	68.747

1.3 Compliance of PAC Directives

No PAC was held in respect of this entity.

1.4 Audit Paras

HR/Employees Related Irregularities

1.4.1 Irregular appointment of officers prior to interview in different cadres resulting in irregular expenditure of Rs 42.428 million

According to Rule 2.3.2.1 of HR Manual of KPOGCL, personnel requisition form must be submitted to the HR department approved by the DCEO based on the JARD (Job Accountability Role Definition) for a particular post. The Personnel Requisition Form shall entail the area and level of expertise required for a specific post and the tasks to be performed by the potential candidate. All candidates shall be identified and selected through a transparent and merit-based recruitment and selection process. The emphasis of which shall be on relevant education, experience and personal attributes as per job requirements. Further, under Rule 2.3.2.2 all candidates are required to submit their resumes online, via the company's web site, hard copies will not be acceptable.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that twenty officers were appointed on different management levels through publishing an incomplete advertisement on December 20, 2017 without mentioning the post, qualification and job description for which recruitment was required. The contract was awarded to seven officers before the interview date and thirteen officers were appointed having less & irrelevant experience and incompatible qualifications. Training period of candidates was considered as professional experience resulting in irregular appointment and expenditure of Rs 42.428 million as detailed in Annex-2.

Audit was of the view that weak HR management led to favouritism, violation of merit policy, transparency and fair play resulted in irregular appointment of officers.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the management realized the seriousness of the matter and found that the then CEO was responsible. A high-level inquiry committee was constituted which found the then CEO guilty and a major penalty was imposed on him and he was removed from service. The

reply of the management was not tenable as the recruitment was made by neglecting the required qualification and awarding of the employment contract before the interview date and this was a serious irregularity & criminal offence. Audit contended that in the instant case, a comprehensive inquiry should be held to identify all responsible officers/officials of the company. Scrutiny of the record revealed that a committee was constituted for the purpose and the report of the committee was not shared with Audit. Audit required to share the inquiry report against the then CEO.

The DAC in its meeting held on June 15, 2022 directed the management to ensure that advertisement of posts was complete in all aspects in the future. DAC further directed the Energy and Power department to conduct an inquiry and fix the responsibility within three months. No further progress was reported till finalization of the report.

Audit recommends to fix the responsibility on the persons at fault and finalize enquiry at the earliest and share the outcome with Audit.

[DP No. 1760, 1761, 1768, 1772, 1773, 1774, 1775, 1778, 1779, 1780, 1781, 1782, 1783, 1788 & 1791]

1.4.2 Irregular appointment of Admin Assistant on unverified credentials

According to Rule 2.3.2.1 of HR Manual of KPOGCL, Personnel Requisition Form must be submitted to the HR department approved by the DCEO based on the JARD (Job Accountability Role Definition) for a particular post, the Personnel Requisition Form shall entail; the area and level of expertise required for a specific post, the tasks to be performed by the potential candidate. All candidates shall be identified and selected by a transparent and merit-based recruitment and selection process. The emphasis of which shall be on relevant education, experience and personal attributes as per job requirements. Further, according to Rule 2.3.2.2 all candidates are required to submit their resumes online, via the company's web site, hard copies will not be acceptable.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management appointed Admin Assistant on April 23, 2021 by publishing a defective advertisement on November 22, 2020 without mentioning the post, qualification and job description for which recruitment was required. Management of KPOGCL did not ask for original documents duly verified by the

HEC at the time of interview and not even at the time of joining the post. Afterward, the management directed the officer concerned to get his BSc degree verified from HEC but he failed to do so. The management suspended him and initiated inquiry proceedings against him but instead of provision of verified documents, the official tendered his resignation to the management.

Audit was of the view that weak HR management resulted in irregular appointment of admin assistant.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the officer concerned failed to produce original documents which he had undertaken to produce. The management suspended and started an inquiry against him but the official tendered his resignation in 2021. The reply of the management was not tenable as the action was not taken against him at the appropriate time.

The DAC in its meeting held on June 15, 2022 directed the management to lodge FIR against the ex-employee. No further progress was reported till finalization of the report

Audit recommends to implement the decision of DAC. Audit further recommended that management of KPOGCL should verify degrees of all the existing employees.

[DP No. 1769]

1.4.3 Irregular appointment of Chief Internal Auditor, Manager Corporate Finance & Taxation and subsequent assigning him the duties of Company Secretary causing loss-Rs 38.895 million

According to Rule 14(4) and Rule 22(2) of the Corporate Governance Rules 2013, no person shall be appointed as the company secretary of a Public Sector Company unless he is a member of a recognized body of professional accountants; or of a recognized body of corporate or chartered secretaries; or person holding a master degree in business administration or commerce or being a law graduate from a university recognized by the Higher Education Commission with at least five years of relevant experience. No person shall be appointed to the position of the chief internal auditor unless he is considered and approved as “fit and proper” for the position by the Audit Committee. No person

shall be appointed as the Chief Internal Auditor of a Public Sector Company unless he has five years of relevant audit experience. Moreover, according to HR manual of KPOGCL, qualification required for the Manager Internal Audit is CA or equivalent.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that management advertised an incomplete advertisement on May 14, 2017 mentioning the department Finance & Accounts instead of the name of the post, qualification and job description for which recruitment was required. Management of KPOGCL also changed the required qualification for the post of Chief Internal Auditor. The candidate selected had no experience in internal Audit in any public sector organization. In another case, candidates were shortlisted for the post of Manager Corporate Finance, Corporate Affairs and Taxation. Management of KPOGCL appointed Manager Corporate Finance, Corporate Affairs and Taxation (Grade-6) on October 23, 2017 on the basis of Master Degree in Business Administration and relevant experience at a monthly salary of Rs 250,000. The Master degree of Business Administration provided at the time of appointment was sent to Higher Education Commission for verification but the same was not verified by the HEC. The candidate also did not possess relevant experience for the said job. It is pertinent to mention here that he was also assigned the duties of Company Secretary from January 07, 2021 in clear violation of Corporate Governance Rules, 2013. The detail is as under;

Sr. No.	Name of post	Monthly Salary (Rs)	Total salary drawn up to December, 2021 (Rs)	Remarks
1	Chief Internal Auditor	175,000	25,836,000	Management of KPOGCL changed the required qualification appointed candidate having no experience in internal Audit in any public sector organization.
2	Manager Corporate Finance and Taxation	250,000	13,059,000	Credential was sent to HEC for verification and the same was recognised
Total			38,895,000	

Audit was of the view that weak HR management resulted in irregular appointment of Chief Internal Auditor and Manager Corporate Finance, Corporate Affairs & Taxation and subsequently assigned duties of Company Secretary.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the irregularity had correctly been pointed out by the Audit. The criteria for selection was approved by the then CEO for which strict action had already been taken and he was removed from the service.

The DAC in its meeting held on June 15, 2022 directed the management to ensure the advertisement of posts was complete in all aspects in the future. DAC further directed the Energy and Power department to conduct an inquiry and fix the responsibility within three months. No further progress was reported till finalization of the report.

Audit recommends to implement the decision of DAC.

[DP No. 1766 & 1776]

1.4.4 Irregular appointment of Chief Prospect Generation causing loss of Rs 8.888 million

According to Rule 2.3.2.1 of HR manual of KPOGCL, Personnel Requisition Form must be submitted to the HR department approved by the DCEO based on the JARD (Job Accountability Role Definition) for a particular post, the Personnel Requisition Form shall entail; the area and level of expertise required for a specific post, the tasks to be performed by the potential candidate. All candidates shall be identified and selected by a transparent and merit-based recruitment and selection process. The emphasis of which shall be on relevant education, experience and personal attributes as per job requirements. Further, according to Rule 2.3.2.2 of Manual *ibid*, all candidates are required to submit their resumes online, via the company's web site, hard copies will not be acceptable.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management published a defective advertisement on November 22, 2020 without mentioning the post, qualification and job description. The overall experience required for the post of Chief Prospect Generation was 10

years along with 3 years of relevant experience. Management appointed Manager Exploration Prospect Generation at a monthly salary of Rs 100,000 having 02 years' experience as a Section officer in the Ministry of Petroleum and Natural Resources, 04 years' experience as an Integrated Petroleum Consultant Islamabad as Assistant Manager G&G, 08 months experience in Petro-Services Private Ltd. Islamabad and 09 months experience in Mineral Testing Laboratory Government of KP as Geologist. This obviated fair play, competition and transparency.

Audit was of the view that weak HR management resulted in irregular appointment causing loss to the company amounting to Rs 8.888 million.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the matter was placed before the HR Committee meeting in its 34th meeting. The committee endorsed the viewpoint of Audit.

The DAC in its meeting held on June 15, 2022 directed the management to ensure compliance with decisions of HR Committee. No further progress was reported till finalization of the report.

Audit recommends to share the HR Committee decisions and its compliance report.

[DP No. 1770]

1.4.5 Irregular hiring of LPG advisor - Rs 2.45 million

According to Rule 2.3.2.1 of HR manual of KPOGCL, personnel Requisition Form must be submitted to the HR department approved by the DCEO based on the JARD (Job Accountability Role Definition) for a particular post, the Personnel Requisition Form shall entail; the area and level of expertise required for a specific post, the tasks to be performed by the potential candidate. All candidates shall be identified and selected by a transparent and merit-based recruitment and selection process. The emphasis of which shall be on relevant education, experience and personal attributes as per job requirements.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management advertised the post of Advisor LPG Business Development having qualification of MBA, CA, ICMA or Master Degree with

minimum of 15 years relevant experience in LPG Marketing, Logistic at a Senior Management Level. Management of KPOGCL appointed Advisor LPG on November 02, 2020. The selected candidate claimed 15 years experience at Caltex Oil Pakistan / Chevron Pakistan as a senior marketing assistant and POL as assistant manager of sales & marketing. After 07 months, services of LPG advisor were terminated on June 14, 2021. Audit held that the management appointed the LPG advisor who had no relevant experience and without any LPG business plan. This resulted in irregular appointment and wasteful expenditure of Rs 2.45 million.

Audit was of the view that weak HR management and internal controls resulted in irregular appointment without any business plan.

The matter was reported to the management in June, 2022. The management in its reply dated June 02, 2022 stated that the candidate had 17 years of work experience at Shell Gas Pakistan and 5 years of experience in POL as a sales and marketing professional for LPG business which was relevant rather more than the required experience. The reply of the management was not tenable because the candidate claimed 15 years of experience at Caltex Oil Pakistan / Chevron Pakistan as a senior marketing assistant and POL as an assistant manager sales & marketing. Moreover, the management appointed the LPG advisor without any LPG business plan.

The DAC in its meeting held on June 15, 2022 directed the management to place the matter before the board for consideration. No further progress was reported till finalization of the report.

Audit recommends to implement the decision of DAC.

[DP No. 1767]

1.4.6 Non-finalization of inquiry by the management relating to out of court settlement with daily wagers

According to 47th BoD meeting resolution item No. 47-08 management may proceed with the compromise deed / out of court settlement under the due diligence of KPOGCL lawyers on the following term & conditions:

- i. In withdrawing their Grievance Petition, the employee agree to relinquish perpetually their right to assert, claim or demand any arrears of salary/remuneration/pay/wages/earnings etc;
- ii. KPOGCL agrees to prospectively i.e. from the date of the withdrawal of the Grievance Petition, treat the contract being asserted by the employees respectively and appended with their Grievance Petition, as having been validly issued;
- iii. Employees (Mr. Wisal, Mr. Shahzad Mahmood and Sahibzada Farhan) will not be required to appear before the inquiry committee as their recruitment process does not appear to suffer from any apparent short coming;
- iv. KPOGCL will give an opportunity to 10 employees except three above mentioned to appear before the inquiry committee in case of any irregularity;
- v. The inquiry committee will treat 10 employees at par with the 77 employees of the KPOGCL whose recruitment's proprietary and legality are being inquiring into for taking necessary action. No discrimination will be meted out of those 10 employees; and
- vi. The inquiry committee will not question the authenticity of the contract being relied upon by 10 employees.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management terminated 81 daily wagers on December 01, 2020. Subsequently, 14 daily wagers out of 81 filed a civil petition that they had a permanent employment contract with KPOGCL. The management of KPOGCL informed the BoD in its 47th meeting that the record of these employees did not exist but HR department found sufficient evidence from which inference could be drawn that the contracts were issued by Ex-CEO after due process. The BoD authorized the management for out- of- court settlement with 14 daily wagger employees on the above-said terms & conditions but the management failed to finalize the inquiry of 10 employees despite lapse of reasonable time.

Audit was of the view that management violated the due procedure of recruitment and, no inquiry was conducted by the management to finalize the issue according to the agreement.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the case of the 11 employees was under the process of inquiry. The findings of the committee were awaited for remedial measures. The committee would finalize finding till June 30, 2022. No further progress was intimated till finalization of this report.

The DAC in its meeting held on June 15, 2022 directed the Energy and Power department to conduct an inquiry and fix the responsibility within 3 months. No further progress was reported till finalization of the report

Audit recommends to finalize the enquiry at the earliest and share the outcome with Audit.

[DP No. 1790]

1.4.7 Unauthorized payment to provincial Director - R 13.250 million

According to the Council of Common Interest 34th meeting dated November 24, 2017, salaries for Provincial Directors alongwith allied staff be posted at Directorate General Petroleum Concessions will be paid by the respective provincial governments.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that management of KPOGCL paid Rs 250,000 per month to the Provincial Director working at DG (PC) from November, 2017 till date on the direction of the KP Government. However, no employment contract was executed with him specifying terms & conditions and period of services. This resulted in unauthorized payment of Rs 13.25 million for the period from November, 2017 to March, 2022)

Audit was of the view that weak internal controls resulted in unauthorized payment to the provincial Director in violation of decision of CCI.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that an interim arrangement was made and payment was disbursed to the provincial director upon the direction

of the competent authority. In the future, payment would be made by the Provincial Government. The reply of management was not tenable because payment was made to the provincial director in violation of CCI decision.

The DAC in its meeting held on June 15, 2022 directed to take up the matter with the Finance department for reimbursement of the said payment. No further progress was reported till finalization of the report.

Audit recommends to implement the decision of DAC.

[DP No. 1794]

1.4.8 Wasteful expenditure on irrational hiring of daily wage employees - Rs 157.452 million

According to Rule 4 of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and his responsibilities include to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations. Further, according to 5(5) (a) of the Rules *ibid*, the principles of probity and propriety entails that the assets and resources of the company should not be used for private advantage, and that due economy is exercised so as to reduce wastage.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management of KPOGCL hired services of daily wage employees without any need assessment basis. Management hired daily wagers on pick and choose basis. Moreover, no official order was issued for a daily wager. This resulted in irregular and wasteful expenditure on account of salaries made to daily wagers amounting to Rs 157.452 million.

Audit was of the view that weak HR management and internal controls resulted in irregular hiring of daily wagers and wasteful expenditure of Rs 157.452 million.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that irregularities were made by the then CEO. A high-level inquiry committee was constituted against the

then CEO and a major penalty was imposed on him and he was removed from service. The reply of the management was not tenable as insufficient action was taken against the then CEO. Audit contended that the loss occurred to the company may also be recovered from him. Scrutiny of the record revealed that a committee was constituted, the report of which was not shared with Audit. Audit requires to share the inquiry report against the then CEO with Audit.

The DAC in its meeting held on June 15, 2022 directed the management to place the matter before the PAC. No further progress was reported till finalization of the report.

Audit recommends to justify the business plan of the organization and the need for hiring daily wagers before PAC.

[DP No. 1828]

1.4.9 Loss due to non-exercising right of recovery in defamatory suit against KPOGCL - Rs 50 million

KPOGCL filed defamatory suit No. 194/01 of 2018, Khyber Pakhtunkhwa Oil & Gas Company Limited Versus Major ® Samar Gul Khattak, Ex-Chief Security Officer (Field) for the amount of 5 crore as damages/compensation from the dependent for publishing the defamatory/scandals statement. Additional District Judge-X, Peshawar decided the case in favour of KPOGCL vide order dated November 15, 2021.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that KPOGCL filed a recovery suit in the court for an amount of Rs 50 million as damages from the ex-employee of the company for publishing the scandals in the shape of letters to Chief Secretary, Government of Khyber Pakhtunkhwa. The case was decided by the Honourable Court and decreed against the defendant on November 15, 2021 but the management failed to exercise the right of execution. This resulted in loss of Rs 50 million to KPOGCL due to the non-execution of decree for recovery.

Audit was of the view that weak internal control resulted in the non-execution of decree for recovery and a loss of Rs 50 million.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that an execution petition had been filed on March 22, 2022.

The DAC in its meeting held on June 15, 2022 directed the management to pursue the case vigorously. No further progress was reported till finalization of the report.

Audit requires the management to share the outcome of the case.

[DP No. 1787]

1.4.10 Non-initiation / non-finalization of facts finding inquiry on irregularities / illegalities in hiring of KPOGCL employees

According to Para 8.2.6(b) of HR Manual of KPOGCL, the competent authority/authorized officer shall decide whether in the light of facts of the case or in the interest of Justice an inquiry should be conducted through an inquiry office or inquiry committee.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that Energy & Power department, Government of Khyber Pakhtunkhwa constituted an inquiry committee on November 04, 2021, upon the recommendation of the Board of Directors of KPOGCL in its 46th meeting held on September 21, 2021 to investigate irregularities in hiring of KPOGCL employees. The inquiry committee comprised of the following officers:

- i. Additional Secretary, (Oil & Gas) Energy & Power Department (Chairman)
- ii. Deputy Secretary, (Regulations) Establishment Department (Member)
- iii. Chief Human Resources, KPOGCL (Member)

The competent authority also issued TORs for the inquiry committee to finalize the inquiry process. Audit was of the view that the inquiry process had to be completed within three weeks from the date of constitution of inquiry committee but the inquiry proceedings had not been initiated so far.

Audit was of the view that weak internal controls resulted in non-initiation and non-finalization of inquiry.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the committee would finalize findings by June 30, 2022.

The DAC in its meeting held on June 15, 2022 directed Energy and Power department to conduct an inquiry and fix responsibility within three months. No further progress was reported till finalization of the report.

Audit recommends to finalize enquiry at the earliest and share the outcome with Audit.

[DP No. 1784]

Procurement Related Irregularities

1.4.11 Non-preparation of procurement plan of the company since inception

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

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that procurement plan of the company was not prepared by the management since its inception.

Audit was of the view that defective financial management resulted in non-preparation of procurement plan since inception.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that guidelines of the Audit had been noted and circulated amongst the concerned for future compliance.

The DAC in its meeting held on June 15, 2022 directed the management to prepare an annual procurement plan duly approved by BoD. No further progress was reported till finalization of the report.

Audit recommends to prepare an annual procurement plan and review it periodically.

[DP No. 1802]

1.4.12 Wasteful expenditure on procurement and non-settlement of dispute

According to 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 audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management of KPOGCL procured Decision Space software from M/s Halliburton with two separate modules of geology and geophysics along with two openwork licenses with an aim that each module would run independently on each machine in 2015. The following discrepancies / shortcomings were observed:

- a) After two years of the purchase of the software, (in August, 2017), the trainee Geologist sent an email to M/s Halliburton that KPOGCL was unable to use both modules at the same time on two different machines. The representative of Halliburton visited the KPOGCL office in August, 2018 and informed that both modules would not run at a time according to the agreement; and
- b) Management of KPOGCL also informed Halliburton on September, 2018 that one of the items of software was not / never delivered to KPOGCL.

The management failed to resolve the issue with M/s Halliburton for the execution of both modules of software at the same time.

Audit was of the view that weak internal control resulted in wasteful expenditure on procurement and non-settlement of dispute.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the irregularity in the procurement process had correctly been pointed out by the Audit. However, the software and its procurement were of specific technical nature and had been

justified. Moreover, as the case had already been placed before the Technical Committee of BoD, the same had not yet been reviewed. As and when the outcome received from the said forum, it would be intimated.

The DAC in its meeting held on June 15, 2022 directed the Energy & Power department to refer the case to the M&E cell of Planning & Development department for inquiry. No further progress was reported till finalization of the report.

Audit recommends to finalize the inquiry at the earliest and share the outcome with Audit.

[DP No. 1807]

1.4.13 Irregular procurement contract of equipment

According to 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 audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management of KPOGCL advertised a tender on May 03, 2017 for the procurement of Gravity Meter, Magnetometer, Resistivity Meter & required software. The closing and opening dates were the same i.e., May 18, 2017. An amendment in the tender was advertised in another daily newspaper Roznama Aaj one day before the actual tender opening date on May 17, 2017. Technical specification criteria point 60 was subdivided into (Model 30, Delivery period 20, warranty 10) and ignored the technical specification of each item. Procurement committee announced the successful bidder on June 09, 2017 and a purchase order was issued to Halliburton on August 27, 2017. Halliburton installed software on hardware, which was taken on a loan basis for a period of one and half month. PO was issued without a date to M/s Synergy Computer (Pvt) Ltd. It was further observed that the purchase order was issued after a lapse of 06 months on January 09, 2018 mentioned by M/s Synergy Computer Private Ltd. Moreover, vender informed that the Fujitsu workstation Selsius R940 was declared the end of life by the manufacturer and no more available. Resultantly, alternative workstation was accepted by KPOGCL but in assets custody form

same model which was mentioned in purchase order, was accepted and verified by the Junior Executive, IT. This resulted in irregular procurement of Gravity Meter, Magnetometer, Resistivity Meter & required software.

Audit was of the view that weak internal controls resulted in irregular procurement of material.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the single stage-two envelope procedure was adopted. Subsequently, a corrigendum was issued in newspaper Dawn and also in another daily newspaper. In Technical specifications, brands like IBM/Dell and details about warranty were mentioned. However, the delivery period was finalized according to the bid proposal.

Halliburton Voluntarily reduced the price to US\$ 125,000. Soon after the evaluation of financial bid, GM concerned came up with the proposal to allow him negotiation with Halliburton for one extra license i.e., 2D license This was most favourable to the KPOGCL in the original price and issued P.O on August 29, 2017.

The DAC in its meeting held on June 15, 2022 directed the Energy & Power department to refer the case to the M&E cell of P&D department for inquiry. No further progress was reported till finalization of the report.

Audit recommends to implement the decision of DAC.

[DP No. 1804]

1.4.14 Wasteful expenditure on procurement of security equipment and special duty allowance to FC - Rs 23.382 million

According to Rule 5(5) (a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principles of probity and propriety entails that the assets and resources of the company should not be used for private advantage, and that due economy is exercised so as to reduce wastage. Moreover, according to 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 audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management purchased security equipment i.e bullet proof Jackets, Knee protection, Jammers for two Toyota Vigo and paid weapon maintenance & special duty allowance to FC on quarterly basis. Management of KPOGCL purchased security equipment without any rationale. This resulted in wasteful expenditure on procurement of security equipment and payment of equipment maintenance and special duty allowance of Rs 23.382 million.

(Rs in million)		
Sr. No.	Description	Amount
1	100 bullet proof Jackets at a unit price of Rs 55,500 Knee protection 115 at a unit price of Rs 2,500 Elbow Protection 115 at a unit price of Rs 2,000	6.07
2	Jammers for two Toyota Vigo	8.56
3	weapon maintenance & special duty allowance to FC on quarterly basis	8.752
Total		23.382

Audit was of the view that weak internal control resulted in wasteful expenditure on the procurement of security equipment and quarterly payment of weapon maintenance and special duty allowance of Rs 23.382 million.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that decisions to procure the equipment were taken by the Energy Security Steering Committee formed by the Energy APEX Committee chaired by the Chief Minister, Khyber Pakhtunkhwa. The management realized the seriousness and found that the then CEO was responsible. A high level inquiry committee was constituted and found that the then CEO was guilty and a major penalty was imposed on him and was recommended for removal from service. The recommendations of the committee were implemented and the then CEO was removed from service after getting approval from the competent forum. The reply of the management was not tenable as expenditures were made on items that were out of mandate of the company. Scrutiny of the record revealed that a committee was constituted, report of which was not shared with Audit. Audit required inquiry report against the then CEO.

The DAC in its meeting held on June 15, 2022 directed the management to place the matter before the PAC.

Audit recommends to implement the decision of DAC.

[DP No. 1795, 1798 & 1799]

1.4.15 Wasteful expenditures on procurement of Satellite phones - Rs 0.311 million

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

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that management procured three Thuraya XT Lite Hand Sets (satellite phones) & Sims from International Marketing & Trading Company Private Ltd. on payment of Rs 0.311 million without any justification & any need assessment. Audit held that procurement of Satellite phones was irrelevant/wasteful expenditure. This resulted in a loss to the company amounting to Rs 0.311 million.

Audit was of the view that due to weak internal controls, irrelevant / wasteful expenditures on the procurement of satellite phones Rs 0.311 million was incurred.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that in the present era when the social media had played a vital role in the communication regime, it was not a legitimate charge declaring procurement of satellite phones as wastage when the operational activities of the KPOGCL spread over the ambush sites and far-flung areas of the Khyber Pakhtunkhwa. In these areas, normal communication means usually did not work. Therefore, the satellite phones were a proper and only means of communication for operating in the field. The reply was not tenable because irregular / wasteful expenditure was made on procurement of items that were beyond the mandate of the company.

The DAC in its meeting held on June 15, 2022 directed the management to place the matter before the PAC. No further progress was reported till finalization of the report.

Audit recommends to implement the decision of DAC.

[DP No. 1800]

1.4.16 Non-maintenance and preparation of fixed assets register

According to Rule 5(5) (a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principles of probity and propriety entails that the assets and resources of the company should not be used for private advantage, and that due economy is exercised so as to reduce wastage.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management procured office equipment on random basis without any need assessment. Fixed assets must be entered in stock registers but the management of KPOGCL failed to maintain the fixed assets register properly and no record of the issuance of these items was maintained. Audit reviewed the data provided by SCM section which reflected the following discrepancies;

- a) Most of the columns of fixed assets register were not filled by the person responsible;
- b) “Petty cash” word appearing in quantity, unit price, vendor, store indent, stock received and issued date column;
- c) Difference in quantity received without any remarks / reasons; and
- d) Quantity purchased can’t be verified from fixed assets / stock register. The fixed assets register prepared by the Finance section was not verifiable from the procurement record prepared by the SCM.

This resulted in non-maintenance and reconciliation of the fixed asset register.

Audit was of the view that weak internal controls resulted in non-maintenance and preparation of fixed asset register.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that proper stock registers for fixed assets as well as controlled assets were being maintained starting from the

current financial year wherein, all the instructions / directions of the Audit had been followed. The reply was not tenable as reconciled fixed assets should be provided to Audit for verification with complete details of assets procured and disposed of since inception of company.

The DAC in its meeting held on June 15, 2022 directed the Energy & Power Department to refer the case to the M&E cell of P&D department for inquiry. No further progress was reported till finalization of the report.

Audit recommends to provide reconciled fixed assets register with procurement record and store registers and complete list of equipment procured since inception to enable the audit to conduct an audit of procurement.

[DP No. 1808]

1.4.17 Mis-procurement of Laptops

According to Rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principles of probity and propriety entails that the assets and resources of the company should not be used for private advantage, and that due economy is exercised so as to reduce wastage. Moreover, according to 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 audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management of KPOGCL floated tender notice for procurement of 15 Laptops. Audit observed that RFP did not contain any delivery date and no criteria for bid evaluation. According to RFP, specifications of desired laptops were mentioned but at the time of the technical evaluation of bid, the procurement committee only marked yes or no and failed to determine which specification was missing. Audit further observed that successful bidder offered three variants of each category with different prices which were against the rules. This resulted in irregular procurement of Laptops.

Audit was of the view that weak internal control resulted in mis-procurement of laptops.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that all evaluations were done in accordance with the specification and criteria mentioned in the bidding documents. The delivery period was mentioned in Clause 7 of RFP and the specified time duration was mentioned in the financial bids submitted by the bidders. Technical specification was evaluated according to Annexure-B of RFP with technical bids received from bidders. Accordingly, “Yes” was for matched specifications while” No” was for un-matched. The reply of the management was not tenable as management of KPOGCL ignored the criteria for bid evaluation as mentioned in the RFP

The DAC in its meeting held on June 15, 2022 directed the Energy & Power department to refer the case to the M&E cell of P&D department for inquiry. No further progress was reported till finalization of the report.

Audit recommends to finalize the inquiry at the earliest and share the outcome with Audit.

[DP No. 1805]

Others

1.4.18 Wasteful expenditure on TA/DA on account of foreign trips - Rs 4.509 million

According to Rule 4 of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and his responsibilities include to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations. Further, according to Rule 5(5)(a) of the Rules *ibid*, the principles of probity and propriety entails that the assets and resources of the company should not be used for private advantage, and that due economy is exercised so as to reduce wastage.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the CEO of the company visited various countries on behalf of the KPOGCL and claimed Rs 4.509 million on account of TA/DA. Audit holds that slash employees including the CEO of a provincial holding company with a

limited mandate and resources, attended international conferences and other unjustified foreign trips without any outcome resulting in wasteful expenditures of Rs 4.509 million on account of TADA.

Audit was of the view that weak internal controls resulted in wasteful expenditures on TA/DA of foreign trips.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the reasons and justifications were presented to the Board by the then CEO. However, the Board besides appreciating CEO's efforts gave a direction that in future, other than CEO himself, for all other officers who may be required to travel overseas, approval of the Board shall be required.

The DAC in its meeting held on June 15, 2022 directed the management to recover the amount from the concerned employee(s). No further progress was reported till finalization of the report

Audit recommends to recover the amount besides fixing responsibility.

[DP No. 1824, 1825 & 1826]

1.4.19 Less deduction of income tax due to non-inclusion of perquisites in salary - Rs 2.82 million

According to Sections 12 &13 of Income Tax Ordinance, 2001, salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including the amount of any allowance provided by an employer to an employee including a cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, any perquisite, whether convertible to money or not.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management did not deduct the income tax on all perquisites i.e. fuel re-imburement, 5% of fair market value of vehicle while making payments of salaries to employees amounting to Rs. 2.82 million. This resulted in less deduction of income tax Rs 2.82 million.

Audit was of the view that weak internal controls resulted in less deduction of Rs 2.82 million

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that the value of vehicle allotted to employees had been accounted for tax calculation after highlighted by the auditors.

The DAC in its meeting held on June 15, 2022 directed the management to get the clarification from FBR. No further progress was reported till finalization of the report

Audit recommends to recover the outstanding amount besides improving monitoring mechanism to avoid such instances in future.

[DP No. 1823]

1.4.20 Non-recovery from employees involved in loss / theft of assets - Rs 0.375 million

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

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that assets of different natures like Laptop, Mobile Phones, and Atlas Honda Bike 125cc were lost by the employees of the company valuing Rs 0.375 million. Management had neither inquired about the matters nor recovered the amount of lost/theft assets from its employees. In the case of theft of Motor Bike, an inquiry was initiated by the management and the outcome of the inquiry report was awaited. Audit contended that slackness in behaviour of employees caused a loss to the company. Moreover, due to poor asset management no action was taken to recover the amount of lost assets. This resulted in loss to the company amounting to Rs 0.375 million.

Audit was of the view that poor internal controls resulted in loss of Rs 0.375 million and was required to be recovered.

The matter was reported to the management in March, 2022. The management in its reply dated June 02, 2022 stated that recoveries had been initiated from the existing employees.

The DAC in its meeting held on June 15, 2022 directed the management to expedite recovery process.

Audit recommends to implement the decision of DAC.

[DP No. 1816]

1.4.21 Poor planning and assignment of irrelevant targets resulted in loss to the company

According to Rule 4 of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and his responsibilities include to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations. Further, according to Rule 5(5)(a) of the Rules *ibid*, the principles of probity and propriety entails that the assets and resources of the company should not be used for private advantage, and that due economy is exercised so as to reduce wastage.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that the management assigned the irrelevant targets to the Civil Engineers and Services Departments. Civil Engineering department consists of professionals like civil engineers, electrical engineers, mechatronics engineers, mechanical engineers and other. Audit reviewed the target vs achievements of the department as detailed below:

Years	Planned target	Achievement
2014-15	Gas Turbine Combined Cycle Power Plant (800MW) <ul style="list-style-type: none"> • Complete front end design • Completion of environmental and social impact • Completion of development Impact assessment • Completion of project cost estimates 	Gas Turbine Combined Cycle Power Plant (800MW) <ul style="list-style-type: none"> • Approach USTDA to get US\$ 1.026 million grant • Got 100 MMCFD allocation of gas for plant

	<ul style="list-style-type: none"> • Completion of economic analysis • Summary of CM approval 	
2015-16 & 2016-17	Gas Turbine Combined Cycle Power Plant (800MW) <ul style="list-style-type: none"> • Complete of regulatory framework • Completion of project implementation guidelines • Completion of list of US source of supply • Completion of project financing options • Completion of economic analysis • Completion of EPC tender documents • Completion of submission of feasibility report to EMG 	Gas Turbine Combined Cycle Power Plant (800MW) <ul style="list-style-type: none"> • Complete front end design • Completion of environmental and social impact • Completion of development Impact assessment • Completion of project cost estimates • Completion of economic analysis • Summary of CM approval
2017-18 & 2018-19	Prepared agenda items for Council of common interest <ul style="list-style-type: none"> • Gas Infrastructure Development Project • FWO Oil Refinery 	Meeting of CCI <ul style="list-style-type: none"> • Gas Infrastructure Development Project • FWO Oil Refinery
2019-20 & 2020-21	LPG Marketing Plant	LPG Marketing Plant

Audit requisitioned the BoD directions / target assigned to Civil Engineering & Services department. However, no record was provided to enable Audit to authenticate above projects undertaken and performed by the department.

Audit was of the view that weak internal controls resulted in the non-achievement of targets.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that it was not the Civil Engineer Services Department but as the construction Engineer Services Department. It was further stated that all the projects i.e. Oil Refinery, LPG Plant and Gas Turbine Combined Cycle power plant were technical projects which require engineers to execute the project. All three projects were assigned to KPOGCL by BoD / Energy and Power Department. All the targets were assigned to the C&ES Department by the KPOGCL management after getting approval from BoD and no irregularity was committed. The reply was not tenable because management deviated from its mandate.

The DAC in its meeting held on June 15, 2022 directed the management to prepare annual targets aligned with the core business of each department and get them approved from BoD. DAC further directed the management to place the matter before the BoD for consideration in light of Audit observation. No further progress was reported till finalization of this report.

Audit recommends to implement the decision of DAC.

[DP No. 1832]

1.4.22 Loss due to excess use of POL beyond permissible limit - Rs 1.147 million

Board of Directors approved Salary packages along with perquisites in its 3rd meeting held on December 2013 and again revised the Salary Package and perquisites in its 10th meeting held on February 17, 2016.

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that in seven cases, the officers of KPOGCL to whom official vehicles were allotted had withdrawn, and consumed POL in excess than the limit allowed by the Board while in five cases, Board did not allow any POL limit to the officers but POL was drawn by them. This resulted in loss due to excess use of POL beyond permissible limits amounting to Rs 1.147 million.

Audit was of the view that poor internal control resulted in excess use of POL and loss to the company amounting to Rs 1.147 million.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that CEO was authorized to allocate/negotiate fuel limits on case to case basis until the 10th BoD meeting held on February 17, 2016 where the relaxation was capped at 25%. The reply was not tenable as POL used by the employees was beyond permissible limits.

The DAC in its meeting held on June 15, 2022 directed the management to place the matter before the Audit Committee of BoD. No further progress was reported till finalization of the report

Audit recommends to implement the decision of DAC.

[DP No. 1814]

1.4.23 Misuse of company assets by the other Government Departments

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

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that assets of different natures like furniture, split AC, Desktop computers laptop and LCD screens valuing Rs 0.337 million were withheld by the Energy & Power department and Khushal Khan University since long. Audit held that the management failed to safeguard the company's assets. This resulted in the misuse of company assets by another government departments.

Audit was of the view that weak internal controls and ineffective management of the company led to the misuse of company's assets by another government departments.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that a Memorandum of Understanding (MOU) was signed between CEO KPOGCL and Vice-Chancellor Khushal Khan Khattak University, Karak (KKKUK) on December 31, 2015. KPOGCL Chair/campus office & Geological Information System Lab was properly established at KKKUK to use it during Geological Fields in southern districts and official conferences/seminars. Moreover, KKKUK had repeatedly provided boarding and lodging free of cost for months to KPOGCL's Technical Team during Geological Fields. The reply was not tenable as Audit required from the company to provide the Board approval for signing of MOU with KKK University, Karak.

The DAC in its meeting held on June 15, 2022 directed the management to place the matter before the Audit Committee of BoD. No further progress was reported till finalization of the report.

Audit recommends to implement the decision of DAC.

[DP No. 1815]

***1.4.24 Wasteful expenditure on procurement of vehicles and office equipment
- Rs 59.837 million***

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

During audit of KPOGCL for the FYs 2014-15 to 2020-21, it was observed that management of KPOGCL procured 39 vehicles including 33 Cars and 6 Motorbikes. It was further observed that management purchased 82 laptops and 470 chairs against the sanctioned strength of 134 employees. The company had 108 employees of different ranks including 20 Drivers & Naib Qasid. Audit held that 39 vehicles, 82 laptops and 470 chairs for 86 employees were not justified at any level. Moreover, it was also pertinent to mention here that almost 20 vehicles were pool vehicles for operational duties, and these vehicles were parked in the company premises and these were deteriorating/depreciating day by day. This resulted in wasteful expenditure on procurement of vehicles, laptops and furniture.

Audit was of the view that that o weak internal control management of the KPOGCL incurred wasteful expenditure on procurement of vehicles, laptops and furniture.

The matter was reported to the PAO / management in April, 2022. The management in its reply dated June 02, 2022 stated that all vehicles were procured according to the requirement and the availability of the entitled position holders. Apart from that, there was a requirement of pool vehicles inclusive of protocol duty as well as security arrangement therefore the procurement was justified while the requirement was more than that. The reply was not tenable KPOGCL was working as a non-operator and did not involve in field operation. Twenty vehicles were on the pool for operational duties parked in the company premises were deteriorating day by day.

The DAC in its meeting held on June 15, 2022 directed the management to assess the actual need of the KPOGCL and surrender the excess vehicles to Energy & Power department with the proposal for the disposal. No further progress was reported till finalization of the report.

Audit recommends to implement the decision of DAC.

[DP Nos. 1803 & 1829]

ANNEXURES

Annexure-1**MFDAC PARAS**

(Rs in million)

Sr. No.	Formation	AIR File No.	Para No. / DP No.	Description	Amount
1	KPOGCL	F-23-22	DP 1797	Irregular award of procurement contract of (Decision Space) software	0
2	-do-	F-23-22	DP 1817	Irrelevant/wasteful expenditures for CPEC road show at Beijing, China	0.434
3	-do-	F-23-22	DP 1822	Less deduction of Income Tax due to non-inclusion of prerequisites in salary	2.820
4	-do-	F-23-22	DP 1830	Loss to the company due to non-returning of asset by ex-employee	0.240
5	-do-	F-23-22	DP 1833	Weak internal controls due to non-functioning of Internal Audit Department	0
6	-do-	F-23-22	DP 1831	Provision of company owned cars to consultants	0
7	-do-	F-23-22	74	Non-preparation of the business plan of the company since inception	0

Annexure-2
(Para 1.4.1)

**Irregular appointment of officers prior to interview in different cadres
resulting in irregular expenditure - Rs 42.428 million**

(Amount in Rs)

Sr. No.	Name of post	Appointment date	Interview date	Monthly salary	Total salary drawn	Remarks
1	Senior Executive IT (Grade-3)	March 08, 2016	March 31, 2016	65,000	5,391,879	Did not match the required qualification.
2	Assistant Engineer Construction & Engineering	December 14, 2017	January 12, 2018	40,000	2,046,806	-
3	Geologist Field Geology	February 27, 2017	March 07, 2017	70,000	4,614,920	-
4	Sr. Executive Cooperate Finance, Corporate Affairs & Taxation	January 25, 2018	January 31, 2018	50,000	6,238,134	-
5	Manager Field	June 30, 2015	July 01, 2015	150,000	4,687,945	-
6	Engineer Construction and Engineering Services	December 14, 2017	January 23, 2018	40,000	2,046,806	-
7	Manager HR Recruitment & Personnel	August 23, 2016		450,000	5,607,123	Did not match the required qualification and also deficient experience. Post advertise on November 7, 2016
8	Engineer Construction	April 16, 2018		50,000	2,311,000	Did not applied on

	and Engineering Services					line
9	Senior Executive Corporate Finance, Corporate Affairs and Taxation	November 27 ,2016		120,000	6,914,000	Did not applied on line and deficient experience
10	Assistant Engineer Construction and Engineering	-	-	-		Un-verified experience certificate
11	Executive Quality Health Safety Environment	November 27,2016	-	40,000	2,569,000	Did not match the required qualification and also deficient experience. Post
12	09 Officers Junior	-	-	-	-	Considered trainee period as professional period
Total					42,427,613	