Procurement of Land and Properties

1. Loss due to purchase of property without due diligence and at higher rates – Rs. 502.800 million

The PPRA 2004 Rule-4 provides that 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.

In National Insurance Company Limited (NICL) the management entered into a contract to procure 20 Kanal and 02 Marla land in Lahore on July 9, 2009 at a price which was higher than its actual price as observed from the record.

NICL procured estate property comprising 20 Kanal 02 Marla from the seller Mohsin Habib Warraich at the rate of Rs.53 million per Kanal. The management agreed to pay Mohsin a total sum of Rs. 1,065.300 million on this sale of property to NICL and an advance payment of Rs. 250 million was made to him on July 08, 2009. The audit observed that Mohsin was not even the owner of said property at the time of tender on April 13, 2009. The land was jointly owned by Ayesha Qayyum, Bushra Qayyum, Salma Qayyum, Shehla Qayyum, Muhammad Amjad and Zahida Parveen. The seller (Mohsin) purchased 13 Kanal out of the total land procured and got the balance 7 Kanal 2 Marla transferred in his name from its different owners on various dates at the prices given in the Table **(Annex 1)**. He sold it to NICL at a price higher by Rs.502.800 million within eight days from the date he procured the land from the above named persons.

Had NICL conducted a proper market survey of the initial owners of above listed property they could have purchased 13 Kanal and 02 Marla from the original owners and would have had to simply buy 07 Kanal and 02 Marla from Mohsin who got the land transferred in his name as *'Hiba'* from his relative.

As per record the NICL on June 8, 2009 constituted a Special Committee for Lahore Airport Road property. This committee was responsible to consider, evaluate and recommend the procurement. The committee was comprised of following members.

Mr. Athar Naqvi GM (Real Estate)	(Convener)
Mr. M.Zahoor Executive Director (F&IT)	Member
Mr. Ijaz A. Shaikh GM (Law)	Member
Mr. Zahid Hussain CM (Real Estate)	Member

Moreover NICL hired the services of Asif M. Cheema (Advocate Supreme Court) on June 12, 2009, to scrutinize, inspect and examine the record pertaining to the 20 Kanal 02 Marla land.

As per M/s NESPAK Report dated January, 2011 the prices of the subject property at the time of procurement that is during July, 2009 were evaluated as Rs. 562.500 million.

	Price Paid by	Price Evaluated	Difference

	NICL	by NESPAK	
Rate (Rs. in Million/Kanal)	53	28	25
Total amount (Rs. in million)	1,065.300	562.500	502.800

In view of audit, the management of NICL caused a loss of Rs. 502.800 million to the organization since the real owners were not approached directly and the land was purchased indirectly at exorbitant prices through Mohsin Habib Warraich.

The matter was reported to the management through OM No.3 on February 23, 2011, but no reply was received till the issuance of this report.

Audit would, therefore, suggest to:

1. Fix responsibility on the person(s) at fault.
2. Recover the amount paid in excess of the market value assessed by M/s NESPAK from the responsible officers.

2. Irregular and unauthorized expenditure on procurement of land by violating Public Procurement Rules-2004 - Rs. 1,065.300 million

Public Procurement Rules 2004 states that:-

Rule-3 these rules shall apply to all procurements made by all procuring agencies of the Federal Government whether within or outside Pakistan.

Rule-12 all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rule-38 provides that the bidder with the lowest evaluated bid shall be awarded the procurement contract.

Rule-40 states that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder:

Rule-50 states that any unauthorized breach of these rules shall amount to mis-procurement.

Moreover the section 7 of PPRAs regulations dated July 11, 2008 direct filling and posting of prescribed contract award Proforma I and II on the PPRAs website.

National Insurance Company Limited (NICL) floated an advertisement for procurement of land measuring between 15 to 25 Kanal in Lahore in the newspapers 'Khabrain' and 'The Post National' on April 13, 2009. The preferred locations were New Airport Road, Lahore, Defence

Commercial Boulevard Phase-8 and Lahore Cantonment Commercial Area. The land was to be used for NICL Building and Hotel Apartment. The last date of submission of offers was May 05, 2009. Initially, following three offers were received:

Sr. No.	Name of Bidder	offer	Size of Plot	Location
1	M/s Mughal Estate	70 M/Kanal	30 Kanal 15 Marla	Airport Road, Lahore
2	M/s Divine Developers	65 M/Kanal	10 Kanal	Opp. Broadway Commercial, Lahore
3	M/s New Sun Marketing	90-130 M/Kanal	Not Specified	DHA Broadway, Airport Road, Lahore.

The audit observed that, while preparing Evaluation Criteria Sheet the land of Mohsin Habib was included although he was not among the bidders who submitted bids in response to newspaper advertisements. Mohsin did not submit his bid formally and was infact not a prospective bidder technically. However he was included in the Evaluation Criteria Sheet in violation of the PPRA's Rule-38 as mentioned above. It was noted that he was given the highest marks i.e., 82 by the Special Committee on Real Estate. On June 16, 2009, NICL issued letters to M/s Medallion Services (Pvt.) Ltd and Tri Star International to evaluate only Mohsin's land. These 2 evaluators respectively assessed value of the land as Rs.61.5 million per Kanal and Rs.66 million per Kanal against the demand of Rs. 63 million by Mohsin.

On June 30, 2009, a Negotiating Committee meeting was held in which the owner of the land Mohsin Habib Warraich finally offered his land at Rs.53 million per Kanal.

The Board of Directors in its 59th meeting held on July 01, 2009 gave the approval to purchase land located at Airport Road, Lahore measuring 20 Kanal 02 Marla at the rate of Rs.53.00 million per Kanal. An amount of Rs. 1,065.300 million was paid to Mohsin Habib Warraich on July 31, 2009.

During Special Audit following discrepancies were found:-

i. The advisement dated April 13, 2009 was published in Dailies *'Khabrain'* and 'The Post National', whereas, Rule-12 of PPRA 2004 clearly states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. These newspapers do not fall in the category of widely circulated newspapers so NICL violated the PPRA rules. Moreover the advertisements were not placed on PPRA's website.

ii. NICL constituted a committee for negotiation on rates with Mohsin. This was done in violation of PPRA's Rule No. 40 as mentioned above.

iii. According to Contract Award Proforma I & II NICL declared that they had not received any bid and qualification criteria were not included in tender documents. Whereas as per record bids were received and evaluation criteria was part of the tender documents.

In view of the above the audit is of opinion that the whole process of procurement was mis-procurement under rule-50 of PPRA-2004. Audit suggested that responsibility may be fixed on the person(s) at fault along with recovery of the loss sustained by the company.

The matter was reported to the management though OM No.20 on March 07, 2011 but no reply was received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulation in such transactions in future.

3. Irregular and unsecured payment of advance against procurement of land - Rs. 250 million

As a matter of prudent business decision, advance payments to the suppliers and sellers should not be made unless secured by guarantees.

In National Insurance Company Limited (NICL), Board of Directors (BoD) in its 59th meeting held on July 01, 2009 gave the approval to purchase land located at Airport Road, Lahore measuring 20 Kanal 02 Marla amounting to Rs. 1,065.300 million at the rate of Rs.53.00 million per Kanal from Mohsin Habib Warraich.

The management made advance payment of Rs. 250.000 million to the seller on July 08, 2009 whereas the contract was finalized with the seller on the next date that is July 9, 2009. Hence the unsecured payment of *biana* (advance) was made to the seller before finalizing the agreement with him. The breakup of payment is given at **Annex 2**.

Audit is of the view that the NICL management out-rightly favored Mohsin Habib Warraich by paying an amount of Rs. 250 million as *biana*, which comes to almost 25% of total purchase cost without safe guarding the interests of NICL resulting blockage Rs. 250 million of the company.

The matter was reported to the management through OM No.1 on February 23, 2011. The management in its reply dated March 9, 2011 stated that the case was conducted by the then NICL BoD, the Investment Committee and the Special committee whose members are not available for any information.

Audit suggested fixing of responsibility on the person(s) at fault and taking remedial measures to avoid recurrence.

4. Loss of interest income (Rs. 192.375 million) due to unplanned procurement of land resulting into blockage of funds for 19 months – Rs.1,171.830 million

Section 16 of the NICL Act 1976 provides that “the corporation may invest its moneys in such manner as the Board may deem fit.

Section 53 of the Memorandum of Association (MoA) allows NICL to purchase and sell properties, assets, projects and industries for re-organization, modernization, replacement, improvement etc. to carry on any other business that may seem to the Company capable of being conveniently carried on in connection with the above objects.

Chart of Delegation of Financial Powers (effective from March 01, 2009) of National Insurance Company Limited (NICL) at Sr. No. 76 (a) provides that all cases regarding purchase or sale of plots and buildings technical and financial feasibility shall be submitted by the Technical Management Committee to the Executive Committee of Board for approval and should be processed in Real Estate department.

The National Insurance Company Limited (NICL) procured 20 *Kanal* and 02 *Marla* of land, located on airport road Lahore, without conducting any proper feasibility study, or cost benefit analysis. Details of the total purchase cost of this land are given in Table at **Annex 2**:

The audit observed that NICL while planning to purchase the said land pledged that they will be conducting detailed feasibility after establishment of Development Working Party (DWP) with reference to utilization of the procured land. It was noted that NICL blocked Rs.1,171.830 million for a period of 19 months, by not conducting any feasibility study which shows complete disregard for financial planning. It was also noted that no work ever commenced on the procured piece of land except for the construction of a boundary wall. NICL should have conducted a feasibility study/cost benefit analysis prior to actually purchasing the land. This was in complete disregard to section 53 of MoA whereby investments in only profitable ventures were required to be ensured by the Board.

The audit noted that had NICL invested the said amount at a rate of 10% in any AA rated bank, they would have secured an interest income of Rs. 192.375 million over a period of 19 months.

Further, NICL did not follow its own procedure regarding investment or disinvestment of Real Estate which states that all cases regarding purchase and sale of plots and buildings should be initially processed in Real Estate department. The Technical Management Committee of NICL did not conduct any technical or financial feasibility before procurement of land for further submission to Executive Committee of Board for approval. In this case the Board directly decided the procurement of above stated land without involvement of Real Estate Department showing disregard of Delegation of powers as mentioned above. Moreover, it also shows the unnecessary haste while finalizing the deal.

The matter was reported to the management through OM No. 2 on February 23, 2011. The management in its reply dated March 9, 2011 stated that the case was conducted by the then NICL BoD, The Investment Committee and the Special committee whose members are not available for any information.

Audit would suggest that responsibility should be fixed on the person(s) responsible for this imprudent financial decision which resulted in loss of interest income amounting to Rs. 192.375 million. Audit suggests this amount should be recovered from the person(s) at fault.

5. Recoverable amount due under integrity pact signed by the seller of land – Rs. 800.000 million

Rule-7 of Public Procurement Rules 2004 states that procurements exceeding the prescribed limit shall be subject to an integrity pact, as specified by regulation with approval of the Federal Government, between the procuring agency and the suppliers or contractors.

According to the “Integrity Pact” the Seller / Supplier / Contractor agrees to indemnify GOP for any loss or damage incurred by it on account of its corrupt business practices and further pay compensation to GOP in an amount equivalent to ten times the sum of any commission, gratification, bribe, finder’s fee or kickback given by Seller / Supplier / Contractor.

The Investment Committee of National Insurance Company Limited (NICL) in its 33rd meeting held on June 11, 2009 recommended to acquire land located at Airport Road, Lahore measuring 20 *Kanal* 02 *Marla* at the rate of Rs.53.00 million per Kanal.

Initially, NICL issued letters to M/s Medallion Services (Pvt.) Ltd and Tri Star International to evaluate Mohsin’s land which was finally recommended by the Investment Committee. The evaluators submitted their evaluation reports on June 20, 2009 and June 29, 2009 as Rs 61.50 million per Kanal and Rs. 66 million per Kanal respectively.

On the basis of evaluation report, the Board of Directors in its 59th meeting held on July 01, 2009 gave the approval to purchase land located on Airport Road, Lahore measuring 20 *Kanal* 02 *Marla* at the rate of Rs.53.00 million per Kanal.

Mohsin Habib Warraich signed the Integrity Pact on July 31, 2009 regarding sale of the said plot.

The above land was revaluated by NICL from M/s Ahmed Associates on December 20, 2010 and the value was assessed as Rs. 984.900 million at the time of purchase against the purchase price of Rs.1,065.300 million. Accordingly Mohsin Habib Warraich deposited the differential amount of Rs. 80.400 million (1,065.300 -984.900) on December 31, 2010.

Audit observed that the amount of differential paid back by Mohsin (the seller) was actually the amount received by seller in realization of a doubtful transaction in violation of the integrity pact. Therefore in compliance of integrity pact signed by Mohsin under Rule-7 of PPRA Rules 2004, he was liable to pay Rs. 800.000 million (Rs. 80.000 million x 10).

The matter was reported to the management through OM No. 25 on March 09, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest that amount due on the signatory of the Integrity Pact should be recovered with costs and deposited with GOP.

6. Irregular purchase of property in violation of PPRA Rules – 2004 and loss due to purchase at higher rates - Rs 487.390 million

The PPRA rules – 2004 provides following directives for all the public offices engaged in procurements of goods and services;

Rule 10 provides that specifications shall allow the widest possible competition and shall not favor any single contractor or supplier nor put others at a disadvantage.

Rule 12 (2) states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rule 8 provides for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

Moreover PPRA Letter dated January 19, 2009 provides that "All procuring agencies whether or outside Pakistan shall post Contract Awards over Rs 50 million on PPRA's website on the prescribed Proforma I and II."

In National Insurance Company Limited (NICL) the management purchased 10 acres of land equal to 48,400 square yards situated at Deh Phihai, Korangi Township, Karachi @ Rs 90.00 million per acre (total valuing Rs 900.00 million). The management paid total amount of Rs 900.00 million in two days in two installments (Rs 450.00 million on August 18, 2009 and Rs 450.00 million on August 20, 2009). The sale agreement was executed on August 19, 2009 between NICL and Land Attorney Khalid Anwar Khan.

The audit observed following irregularities in the above mentioned purchase of land.

i) The management advertised only in two daily newspapers i.e. 'The Post Nation' and '*Khabrain*' dated April 13, 2009 and demanded specific areas in Malir, Landhi and Korangi and areas adjacent to Shah Faisal Colony. Both the newspapers are not in wide circulation. As the land advertised was for a very specific area, only one bid was received from Khalid Anwar Khan, Attorney of this land. This shows that Rule 12 (2) of PPRA was not followed.

ii) The management did not provide any information to PPRA web site on the prescribed Proforma I and II.

iii) M/s. Tristar International was engaged for valuation of this land. M/s. Tristar International sent the valuation report to NICL. However NICL did not approve the assessment as the management allegedly wanted the assessment rates to be escalated by 100% (vide M/s Tristar's email sent to head of the audit team on February 22, 2011).

iv) The management did not allocate any budget for the procurement of land and advances in the year 2008, 2009 and 2010. According to NICL letter dated February 28, 2011 no procurement manual, SOP & guidelines and procurement plan have yet been prepared. This shows that the procurement of subject property was not planned under rules and was a violation of PPRA Rule – 8.

The audit observed that evaluation of the above mentioned property was conducted by National Engineering Services Pakistan (Pvt.) Limited (NESPAK) on March 03, 2011 whereby the assessed value of 10 acres land Korangi, Karachi was Rs 412.610 million as on July 2009. Resultantly, NICL sustained a loss of Rs 487.390 million.

Audit inquired reasons for giving specific areas of purchase of land, paying higher prices of purchase and not advertising in widely circulated dailies.

The matter was reported to the management through OM No. 14 on March 07, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.

2. Recover the amount paid in excess of the actual market value of land from the responsible officers.

7. Irregular advance payment of full amount for procurement of land against the provisions of agreement - Rs. 1,686.300 million

Under Public Procurement Rules - 2004:-

Rule 13 provides that the procuring agency may decide the response time for receipt of bids or proposals (including proposals for pre-qualification) from the date of publication of an advertisement or notice, keeping in view the individual procurement's complexity, availability and urgency. However, under no circumstances the response time shall be less than fifteen days for national competitive bidding from the date of publication of advertisement or notice. All advertisements or notices shall expressly mention the response time allowed for that particular procurement along with the information for collection of bid documents which shall be issued till a given date, allowing sufficient time to complete and submit the bid by the closing date:

Rule 21 states that the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than the prescribed financial limit.

Rule 30 states that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.

Rule 31 provides that no bidder shall be allowed to alter or modify his bid after the bids have been opened. However the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid.
National Insurance Company Limited (NICL), floated an advertisement “Land required” which was published in dailies ‘Dawn’ and ‘Business Recorder’ on December 13, 2009 for Housing Colony in Islamabad, Lahore & Karachi measuring 100-200 Acres (on both sides of Multan Road, Ferozepur road, Raiwind road and Burki road). Last date of submission of offers was December 20, 2009 which was extended until December 29, 2009.

NICL issued letters to M/s Medallion Services (Pvt.) Ltd and S.A Associates on January 18, 2010 to evaluate the lands of finally short listed two (02) bidders. The evaluators submitted their reports on January 21, 2010 and January 25, 2010 respectively.

The Board of Directors in its 66th meeting held on January 20, 2010 gave approval to purchase land located at Moza Toor Wariach off Ferozepur Road, Lahore measuring 100 acres at the rate of Rs.16.800 million per acre. An amount of Rs. 1,686.300 million was paid to M/s Privilege Farms (Pvt.) Limited in March 2010.

During Special Audit following discrepancies were found in the above mentioned transaction:-

i. The advisement dated December 13, 2009 gave the response time of only 07 days, whereas, according to rule 13 of PPR 2004 under no circumstances the response time shall be less than fifteen days for national competitive bidding from the date of publication of advertisement or notice. However, last date of submission of offers was extended by December 29, 2009 vide corrigendum dated December 16, 2009 after a complaint was received from Transparency International Pakistan (TIP) on December 14, 2009.

ii. The audit noted that the management hastily took up too many things in a very short time to finalize the investment. For example, Special Committee prepared Evaluation Criteria Sheet and gave its recommendations to the Investment Committee. Immediately, Investment Committee gave its recommendations to the Board and Board approved the procurement deal of land measuring 100 acres at the rate of Rs.16.800 million per acre (Table –A, **Annex 3**). All of this was done in one day that is January 20, 2010, whereas evaluations were got done subsequently on January 21 and 25, 2010.

iii. Initially M/s Privilege Farms (Pvt.) Limited offered their land at Rs. 2.4 million per Kanal but afterwards the bid was modified as at Rs. 2.1 million per Kanal, which was a violation of Rule 31 of PPR 2004.

iv. The management agreed to make part payment of Rs. 1 billion at the time of execution of sale deed and taking over physical possession of the land. Further the balance payment was to be made on March 18, 2010. However as per record 100% amount of Rs. 1,686.300

million was paid to M/s Privilege Farms (Pvt.) Limited by March 18, 2010 by NICL without getting land mutated and without physical possession of land.

Audit is of the view, that the payment to the seller was not secured and conducting the bidding process in haste was an undue favour to him.

The matter was reported to the management through OM No. 19 on March 07, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulation in such transactions in future.

8. Loss due to Non Recovery of Stamp Duty paid in Advance of the Contract to Purchase 803 Kanal 19 Marla- Rs. 36 million

The PPRA 2004 Rule-4 provides that 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.

In National Insurance Company Limited (NICL) the management procured 803 *Kanal* and 19 *Marla* land in Lahore on February 25, 2010. The management had an advertisement published in the Dailies ‘The Dawn’ and ‘Business Recorder’ on December 13, 2009 for Housing Colony in Islamabad, Lahore & Karachi measuring 100-200 Acres The management specified their preference of land on both sides of Multan Road, Ferozepur Road, Raiwind Road and Burki Road. The last date of submission of offers (Details of offers in Table – A, **Annex 3**) was December 20, 2009 which was extended until December 29, 2009.

The Board of Directors in its 66th meeting held on January 20, 2010 gave approval to purchase land located at Moza Toor Wariach off Ferozepur Road, Lahore measuring 100 acres at the rate of Rs.16.800 million per acre. A total amount of Rs. 1,686.300 million was paid to M/s Privilege Farms (Pvt.) Limited on March 18, 2010.

The audit observed that an amount of Rs. 33 million was paid on February 23, 2010 on account of Stamp Duty @ 2% of the total cost of land. It is worthy to note that payment of stamp duty was made six days earlier than the payment of first installment/part payment (Rs. 1 billion) of land to the seller which was subject to execution of sale deed and handing over of physical possession of land to the buyer (NICL). It was also observed that amount paid in advance as Stamp Duty remained amount blocked hence loss of Rs. 3.000 million was incurred. The income lost as interest added to the Stamp Duty paid in advance resulted in a total loss of Rs. 36.000 million

The audit noted that the land was neither mutated nor physically taken over by the management till the deed was cancelled and the amounts were refunded by the seller to NICL with effect from December 31, 2010.

Audit observed that the amount paid on account of Stamp Duty was not refunded to NICL. Moreover there are remote chances that this amount would be recovered.

The matter was reported to the management through OM No. 40 on March 11, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.
2. Recover the amount paid from the responsible officers, on account of Stamp Duty without actually acquiring assets.

9. Undue favour extended to seller of land by unfair evaluation of the offered land measuring 100 acres (803 Kanal 19 Marla)

The PPRA 2004 Rule-30 provides that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents. The spirit of the rule demands fair and transparent evaluation in the best interests of the organization.

National Insurance Company Limited (NICL) floated an advertisement in newspapers on December 13, 2009 to acquire land for housing colonies in Islamabad, Lahore & Karachi measuring 100-200 Acres. Last date of submission of offers was December 20, 2009 which was less than the PPRA's prescribed minimum time. However the last date of submission of offers was later extended until December 29, 2009 vide corrigendum dated December 16, 2009.

NICL had the lands of finally short listed two (02) bidders evaluated from private evaluators as detailed in Table A- **Annex 3**:

The Board of Directors in its 66th meeting held on January 20, 2010 gave approval to purchase land located at Moza Toor Wariach off Ferozepur Road, Lahore measuring 100 acres at the rate of Rs.16.800 million per acre.

The audit observed that in Evaluation Criteria Sheet marks were not fairly allocated and the criteria set earlier for allocation of marks was ignored by the Real Estate department of NICL. An extract of 'Evaluation Criteria Sheet' is reproduced in Table B **– Annex 3**:

Following discrepancies were found:-

i. With reference to Table A, the assessment of the market price of land offered by M/s Privilege Farms (i.e. 100 acres and off Ferozepur road) was Rs. 1,846.350 million by M/s

S.A Associates and Rs. 1,880.000 million by M/s Medallion Services. On the other hand, the land offered by M/s Dream Resorts Limited (i.e. 221.5 acres and on main Multan road) was assessed for Rs. 637.500 million by M/s S.A Associates and Rs. 575.900 million by M/s Medallion Services. The audit considers this evaluation irrational unless supported by relevant reasons as the piece of land much bigger in size and that too on the main road was assessed for a lower value than the land less than half the size and at a distance from main road.

ii. With reference to Table B, the land offered by M/s Dream Resort Limited scored 08 marks for location which is on main Multan road whereas, M/s Privilege Farms (Pvt.) Limited scored 12 marks for location which is off Ferozepur.

iii. With reference to Table B, the estimated cost of land offered by M/s Dream Resort Limited was Rs. 6.219 million per acre and scored 20 marks whereas, estimated cost of land offered by M/s Privilege Farms (Pvt.) Limited was Rs. 16.800 million per acre and also scored 20 marks.

Audit is of the view that, during procuring of land NICL violated Rule 30 of PPRA 2004 to favour one seller instead of open bidding competition.

The matter was reported to the management through OM No. 15 on March 07, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulation in such transactions in future.

10. Undue favour extended to the seller by violating PPRA Rules- 2004

The PPRA Rules – 2004 provides following directives for all the public offices engaged in procurements of goods and services

Rule 48 provides that the procuring agency shall constitute a committee comprising of odd number of persons, with proper powers and authorizations, to address the complaints of bidders that may occur prior to the entry into force of the procurement contract. Any bidder feeling aggrieved by any act of the procuring agency after the submission of his bid may lodge a written complaint concerning his grievances not later than fifteen days after the announcement of the bid evaluation report. The committee shall investigate and decide upon the complaint within fifteen days of the receipt of the complaint.

National Insurance Company Limited (NICL) floated an advertisement in newspapers on December 13, 2009 to acquire land for housing colonies in Islamabad, Lahore & Karachi measuring 100-200 Acres. Last date of submission of offers was December 20, 2009 which was later revised as December 29, 2009 after a complaint was lodged by Transparency International Pakistan (TIP) on December 14, 2009.

In reply to floated tenders two firms participated in the bidding process. Details of their offers and evaluation by the assigned evaluators are given in the Table - A at **Annex 3**:

The Board of Directors in its 66th meeting held on January 20, 2010 approved to purchase of land from M/s Privilege Farms Limited located in Lahore measuring 100 acres at the rate of Rs.16.800 million per acre.

It is worthy to note that the other bid of M/s Dreams Resorts Limited was rejected by NICL on the following grounds:-

1. That the land fell in the revenue jurisdiction of two different districts viz. Kasur and Lahore.
2. That there was a poultry feed factory near the property
3. That the land offered was away from the city of Lahore (about 42-45 Km).

During Special Audit, review of the land procurement record, following discrepancies were noticed:-

1. Initially M/s Privilege Farms (Pvt.) Limited offered his land at Rs.2.4 million per acre which was subsequently changed as Rs. 2.1 million per acre.

2. The land offered by M/s Privilege Farms (Pvt.) Limited was 803 Kanal 18 Marla (99.625 acres) which was below the range fixed by NICL in their advertisement dated December 13, 2009 i.e., 100 to 200 acres.

3. M/s Dream Resorts Limited lodged a complaint dated 03-02-2010 (within 15 days under rule 48 of PPRA), whereas, NICL Redressal of Grievances and Settlement Committee meeting held on March 10, 2010 claims that complaint was received after the due date i.e., 11-02-2010 so, it was time barred. The same compliant was sent to NICL management by Deputy Director, PPRA Islamabad on February 08, 2010 but as the management stated that complaint via PPRA was not received by them up to March 05, 2010.

From the available record the audit observed malafide in awarding contract to the selected bidder and violation of Rule - 48 of PPRA 2004 as mentioned above.

The matter was reported to the management through OM no. 16 on March 07, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulation in such transactions in future.

11. Illegal Payments for purchase of property in Liberty House Dubai International Finance Centre (DIFC) - US$20,587,301 (Eq. to Rs. 1.699 billion)

Section 5 (1) (e) subsections (i) and (ii) of the Foreign Exchange Regulation Act, 1947 requires State Bank of Pakistan's (SBP) permission for payments from foreign accounts by authorities operating within Pakistan as follows:

"(5) (1) Save as may be provided in and in accordance with any general or special exemption from the provisions of this sub-section which may be granted conditionally or unconditionally by the State Bank, no person in, or resident in Pakistan shall.

(e) make any payment to or for the credit of any person as consideration for or in association with- -

(i) the receipt by any person of a payment or the acquisition by any person of property outside Pakistan;

(ii) the creation or transfer in favor of any person of a right whether actual or contingent to receive a payment or acquire property outside Pakistan."- Unquote. Further, FE manual requires for Special Permission for Foreign Currency Accounts under clause 8(ii)(a) Quote-" Firms and companies raising equity and foreign currency loan may be allowed by authorized dealers to open Foreign Currency account for receiving and retaining the foreign funds on submission of information about the source of foreign funding and the amount required to be retained in foreign currency. The funds available in such foreign currency accounts can be used by the account holders for making only those types of payments which are otherwise permissible in terms of the instructions laid down in this manual (e.g. imports, consultancy) and which are related to the business of account holder. Any amount not so used will be required to be converted into rupees in the interbank market and no withdrawals will be allowed."

The management of National Insurance Company Limited (NICL) made payments to Escrow Agent, JSA Law Limited for Property purchased in Liberty House, Dubai International Finance Centre as per details given below.

	Bank	Amount in US $
1	Bank Sarasin- Geneva, Switzerland	19,990,000
2	Deutsche Bank- Singapore	590, 489
3	Habib Bank Limited- New York	6,812
	Total	**20,587,301**

Audit observed that above provisions of Foreign Exchange Act 1947 were ignored and approval under rules was not obtained by NICL from SBP for these payments.

Further, the NICL does not fall into any of the categories which are allowed to open Foreign Currency accounts outside Pakistan as per provisions of the Foreign Exchange (FE) Manual of

State Bank of Pakistan (Chapter 6). Audit also observed that NICL did not fulfill the requirement for operating its foreign currency accounts situated abroad under clause 8 of FE Manual.

In view of audit all above accounts and payments were irregular and illegal.

The matter was reported to the management through OM No. 35 on March 10, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulation in such transactions in future.

12. Irregular procurement of property in violation of PPRA Rules – 2004 and ambiguous payment for Liberty House, Dubai International Finance Centre (DIFC), Dubai

The PPRA rules – 2004 provides following directives for all the public offices engaged in procurements of goods and services

Rule 8 of PPRA provides that all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

Rule 12 (2) provides that all procurement opportunities over two million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rule 23 states that procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid.

Rule 36 (ix) states that the bid found to be the lowest evaluated bid shall be accepted.

Rule 7 provides that procurements exceeding the prescribed limit shall be subject to an integrity pact, as specified by regulation with approval of the Federal Government, between the procuring agency and the suppliers or contractors.

The management of National Insurance Company Limited (NICL) purchased property in Liberty House, Dubai International Finance Trade Centre, Dubai on July 16, 2009 with a lump sum payment of US$ 20,587,301 made on July 13, 2009, via three foreign accounts. NOC / transfer were made on February 02, 2010.

The audit observed that the management had not fulfilled various regulatory requirements, as stated below.

1. The requirement of subject investment property was not initiated by Investment Department which was evident from the fact that no document was available about proceedings of processing division or department (i.e. Real Estate / Secretary) as required by NICL Office Order No. (6/2000) dated 15-09-2000.

2. Investment/procurement plan was not available, further no budget was allocated for procurement of Land and Advances in year 2008, 2009 and 2010. Hence PPRA Rule – 8 was violated

3. The invitation for offer was only posted at NICL website (evidence of this post was not available) and was not posted at PPRA website and/or print media. The contract value was of Rs. 1,698.938 million. This resulted in violation of PPRA Rule – 12 (2)

4. There were no Tender Documents Published containing eligibility criteria, evaluation criteria, scope of work (requirement), General terms and conditions, draft contract etc., hence violating PPRA Rule – 23.

5. The company selected Liberty House Property which was the highest among all quoted prices. Hence Rule 36 of PPRA was violated. As per comparative statement dated June 24, 2009 the company received total four quotations as follows:

Sr. No.	Bidder	Offered Amount
1	EFT Building (Enshaa Property Developer)	UAE dh 3000-3500 for incomplete building
2	Daman (ETA Star Property Developers)	UAE dh 3100 for building in completion stage
3	Index Tower (Developer Union Properties)	UAE dh 3200 for building in completion stage
4	Liberty House (Developers ETA Star property)	UAE dh 3500 for building in completion stage

6. The Integrity Pact was signed by ETA Star (the developer) while property was purchased from Mr. Antoine Ronteix by violating Rule 7 of PPRA 2004.

Audit further observed that The Board in its 58th meeting dated June 08, 2009 (much before its comparative statement of quotations received) on the recommendations of Investment committee had unanimously decided to purchase property in Dubai International Finance Centre (DIFC)

Further, an amount of US $6,812 eq. to Rs. 562,121 was transferred from Habib Bank Limited-New York Current Account to Escrow account in Standard Chartered Bank, Dubai UAE but it was not received in said Escrow Account, hence missing.

Moreover, the audit observed that Mr. Antoine Ronteix from which the property was actually purchased, had acquired right to sell building from Developers (ETA) against part payment and thereafter sold property to NICL. On review of the record, audit noted that an amount of US$ 8,489,393 eq. to Rs. 700.545 million above property value was paid to Mr. Antoine Ronteix, which could have been saved had the direct deal been concluded with the ETA.

All above observations reflect that the company had already decided to procure property in DIFC area without taking into account proper investment evaluation and fair competition hence leading to further violation of PPRA rule 21 that requires "the procuring agencies shall engage in open competitive bidding". This resulted in an uneconomic and irregular investment by NICL.
The matter was reported to the management through OM No. 36 on March 10, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.

2. recover the amount from the responsible officers, paid in excess of the actual price of the property due to indirect procurement of land.

3. and compliance of all relevant rules and regulation in such transactions in future.

13. Purchase of property in Liberty House, Dubai International Finance Centre (DIFC) - Dubai, at higher value –AED 18.103 million (Eq. to Rs. 407.317 million)

Section 12 of Insurance Ordinance 2000 requires that "For the purposes of this Ordinance, the following shall, without limitation, be recognized as criteria for sound and prudent management of an insurer as a person authorized to carry on insurance business:

(a) the business of the insurer or applicant is carried on with integrity, due care and the professional skills appropriate to the nature and scale of its activities;

PPRA 2004 Rule-4 provides that 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.

The National Insurance Company Limited (NICL) purchased an area of 27,429 sq. ft. on different floors in Liberty House @AED 2,700 per sq. ft. in July 2009. The property was transferred to NICL on February 02, 2010.

The audit observed that the property was purchased at 32% higher rates (i.e. AED 2,700 per sq. ft.) than prevailing market rates (i.e. AED 2040 per sq. ft.). This resulted incremented cost of AED 18.103 million. The data from website of 'Dubai Property Group' for approximately the the same period when the property was purchased by NICL revealed the prevailing market rates of the property (at the time of its purchase by NICL) as mentioned above.

The price paid for subject property was even higher of range of 14% to 22% (i.e. AED 2,200 to AED 2,350 per sq. ft.) when compared with prices prevailing for same building in the market in the subsequent period (FY 2010) showing that the investment was irrational.

Audit noted that the loss was incurred by NICL since there was no proper projection, cash flow forecasting, capital payback or economy evaluation was made during or after execution of this investment. This also shows that it was not a prudent investment.

The matter was reported to the management through OM No. 37 on March 10, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.
2. recover the amount paid in excess of the actual market value of land from the responsible officers.

14. Loss due to non-utilization of office space and other service charges - Rs.5,019.03 million

Section 16 of the NICL Act 1976 provides that "the corporation may invest its moneys in such manner as the Board may deem fit.

Section 53 of the Memorandum of Association allows NICL to purchase and sell properties, assets, projects and industries for re-organization, modernization, replacement, improvement etc. To carry on any other business that may seem to the Company capable of being conveniently carried on in connection with the above objects.

Board of Directors (BoD) of National Insurance Company Limited (NICL) in its meeting held on July 01, 2009 approved the recommendations of the Investment Committee and approved to invest a sum of US$ 20 million to acquire 06 units of offices space measuring 27,429 square feet in Dubai International Financial Centre (Liberty House).

The management of NICL procured property in (Dubai International Financial Centre (DIFC, Dubai for the purpose of investment in July 2009. The average rental value of office space in liberty house, DIFC, Dubai during 2009 was 375 AED per square feet.

The audit noted that on May 08, 2010, an invoice of AED 68,123.66 was received from M/s ETA Star Property Developers LLC Dubai on account of Chiller charges (AC-Chiller) against 05 units of NICL office space in Liberty House, Dubai for the period from July 2009 to March, 2010. Had the property been rented in time i.e., in 2009, the NICL would not have lost the amount on account of rental income Rs.4,860.075 as well as amount paid on account of Chiller charges Rs.158.955. This resulted in accumulated loss of Rs. 5,019.03 million for the NICL as detailed in Table at **Annex 4**:

Audit is of the view that, it was the prime responsibility of the management to rent out the office space in Liberty House, DIFC, Dubai in time, but due to delay in this decision by NICL, the company suffered a loss of Rs. 5,019.03 million.

The matter was reported to the management through OM No. 34 on March 10, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.
2. recover the amount lost on account of not renting out of space from the responsible officers.

15. Non-Compliance of National Accountability Ordinance 1999 during the process of land procurement

Rule-33(b) of National Accountability Ordinance 1999 states that:-

"all Ministries, Divisions and Attached Departments of the Federal Government, all departments of Provincial and local governments, statutory corporations or authorities established by the Federal Government or Provincial Government and holders of public office shall furnish to NAB a copy of any contract, entered into by such Ministries, Divisions and Attached Departments of the Federal Government, all departments of Provincial Government or local government, statutory corporations or authorities established by the Federal Government or Provincial Government or such holder of public office on its behalf, as the case may be, of the minimum monetary value of fifty million rupees or more, within such time as is reasonably practicable from the date of signing such contract".

National Insurance Company Limited (NICL) during the year 2008-10 procured contracts of fifty million rupees and above as per details given in table at **Annex 5**:

Audit is of the view that it was the prime responsibility of NICL to provide information of all procurement of fifty million rupees and above to NAB which were concluded during 2008-10, but the management failed to provide the above information to NAB for which the management of NICL was answerable.

The matter was reported to the management through OM No. 26 on March 09, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulation in such transactions in future.

16. Unjustified expenditure on obtaining legal opinion regarding applicability of Public Procurement Rules on land procurements - Rs.1.475 million

The provisions of the Public Procurement Rules, 2004 are as under:-

Rule-3 provides that these rules shall apply to all procurements made by all procuring agencies of the Federal Government whether within or outside Pakistan.
Rule-51 provides that the provisions of these rules shall have effect notwithstanding anything to the contrary contained in any other rules concerning public procurements.

Section 2 (e) of Public Procurement Ordinance 2002 defines that goods" means articles and objects of every kind and description including raw materials, products, equipment, machinery, spares and commodities in any form and includes services incidental to installation, transport, maintenance and similar obligations related to the supply of goods if the value of these services does not exceed the value of such goods;

In National Insurance Company Limited (NICL), the management approached M/s Barrister Masroor Shah & Company to obtain legal opinion as to which rules of Public Procurement Regularity Authority (PPRA) are attracted and which are not applicable, if NICL invests in Real Estate vide its letters dated March 02, 2009. M/s Barrister Masroor Shah & Company obtained five legal opinions from other legal consultants in order to check the applicability of PPRA Rules.

NICL made a payment of Rs. 1.475 million to M/s Barrister Masroor Shah & Company as Legal and professional fee as detailed below:

Sr. No	Name of Legal Advisor	Bank Payment No. & Date	Amount (In Rupees)
1	Agha Tariq Mehmood Khan	1257 of 11.05.2010	250,000
2	Amjad Iqbal Qureshi	1257 of 11.05.2010	250,000
3	Kh.Ahmed Tariq Rahim	1257 of 11.05.2010	350,000
4	Muhammad Munir Peracha	1257 of 11.05.2010	75,000
5	Muhammad Akhtar Awan	1257 of 11.05.2010	200,000
6	Barrister Masroor Shah & Company	1451 of 01.06.2010	350,000
Total			**1,475,000**

The audit observed that Public Procurement Regulatory Authority is the competent forum to decide such references under Section-21 of the Ordinance. Besides, a full fledge Law department also exists in NICL for rendering such advice. Therefore, the act of management to obtain the opinion from private practitioners at the cost of Rs1.475 million was unjustified.

Audit suggested that the responsibility may be fixed on the person(s) at fault and recovery of Rs 1.475 million to be made from the person (s) at fault.

The matter was reported to the management through OM No. 24 on March 09, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.

2. recover the amount from the responsible officers, lost on obtaining an opinion which could be acquired directly from the relevant forum without costs.

Financial Investments

17. Loss due to imprudent investment in First Dawood Investment Bank Limited – Rs. 100 million

Finance Division Notification No. F. 4(1)/2002-BR.II dated July 02, 2003 requires competitive bids from at least three independent banks that prior to placing the deposits with a bank. Further, it requires setting up in-house professional treasury management functions to be manned by professional fund managers approved by SECP.

In National Insurance Company Limited (NICL) the management placed Rs. 100 million on November 24, 2008 with First Dawood Investment Bank Limited (FDIBL) as Certificates of Investment (COI) dated November 25, 2008 for Term Deposit for a period of six months @ 18.5% per annum.

The audit noted that proper evaluation of investment was not made by NICL. There was no portfolio maintained and investment plan was also not available. Further, there was no evidence available if this case was processed by the Real Estate Department/Secretary of NICL as required in its Office Order No. (6/2000) dated 15-09-2000, for placement of funds in TDR, TFCs etc. In fact, on November 19, 2008 five officers (not specified as the Investment Committee) discussed the offer of Atlas Bank and FDIBL and decided to place Rs. 100 million with Atlas Bank for 6 months@ 21.75% per annum and Rs. 100 million with First Dawood Investment Bank for six months @18.00% per annum. Bids from three independent banks were not obtained as required by above mentioned OM of Finance Division.

Audit observed that funds were placed with FDIBL despite the fact that the company had posted a loss before tax of Rs. 49.104 million and its Cash and Cash equivalent position was precarious. Consequently, the bank defaulted in encashment of said COI of Rs100 million along with mark up of Rs8,256,576 (net of tax), on maturity date i.e. May 25, 2009. On June 06, 2009 FDIBL offered options for settlement, comprising (a) settlement of entire outstanding against assets of FDIBL (b) rollover deposits over a period of five years as per term sheet of PPTFC (c) take combination of above two proposals. NICL at last via its letter dated December 30, 2009 to FDIBL communicated its approved settlement of COI for Rs100 million, with the result that the entire invested amount of Rs. 100 million was blocked. Details are given at **Annex 6**:

Audit was of view that, had NICL opted for settlement of entire outstanding amount against the assets of FDIBL as per FDIBL offer letter dated June 06, 2009, it may have settled its funds as the company had total assets of Rs. 5,136.416 million including short term investments of Rs. 921.261 million and cash and bank balances of Rs. 194.339 million. Since FDIBL was assigned a credit rating of ‘D’ by PACRA as on December 31, 2009 and there were remote chances of realization of the blocked amount.

The matter was reported to the management through OM No. 12 on March 07, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest fixing of responsibility and recover the amount from the responsible officers

18. Loss due to imprudent investment of Rs. 2.00 billion in JS Principal Fund - Rs. 255.243 million

Government of Pakistan Finance Division issued instructions for investment of surplus funds of the public sector enterprises through its OM dated July 02, 2003.

The para-5(b) of this OM requires that "In Public units total return comprising the appreciation in value, which exceeds the average six months Treasury Bill rate for the last three years. The formula for the calculation of the total return would be provided by the SECP from time to time."

The para-5(d) of this OM requires that "Total investment in debt instrument of a company do not exceed 10% of size of issue or 10% of total size of funds managed by the public sector entity, whichever is lower."

The para-6 of said OM requires that "Before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transaction above the approval authority of the IC will be subject to approval of Board of Directors or an equivalent forum. The investment committee should be assisted by an investment management unit employing qualified staff with at least three to five years of experience of managing investment in debt/equity instruments. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP."

In National Insurance Company Limited (NICL), the management invested Rs. 2,000.000 million on March 13, 2009 through Pre-Initial Public Offer (IPO) commitment in JS Principal Secure Fund-I for the minimum period of 03 years and 06 weeks under the recommendations of first meeting of Investment Committee of NICL held on March 12, 2009 which was approved by the Chairman on March 13, 2009. The product structure was of a three year open ended fund. According to the terms of investment, the Payout at maturity was any capital gain to distribute along with initial capital at maturity.

Subsequently, it was decided in the 69th meeting of the Board of Directors held on April 30, 2010 that the market intelligence reports are not in favour of the above mentioned investment and the funds must be disinvested. Accordingly, the investment of Rs. 2,000 million was disinvested on July 20, 2010 while the investment was at a pre-mature stage. The details of disinvestment are given in Table - A at **Annex 7**:

It was observed from the report of an Investment Research House, M/s. Invest Cap dated July 16, 2010 that the JS Protected Funds Series remained under performance during the year 2010 whereas returns on other Income Fund performance during first and second quarters of 2010 were ranging about 11 to 14%. If concluded on an average return of 12% of other funds, the NICL sustained a loss of Rs.255.242 million as detailed in Table - B at **Annex 7**:

Further, audit was of the view that redeeming with a back-end load of 5% was not an attractive option i.e. back-end load (penalty of 5% over pre-mature redemption) was high enough that is even exceeding the front-end load (return of 3.5% over investment).

Audit observed the following irregularities in above transaction;

1. There was no evidence available about processing (no investment plan, portfolio management, forecasting, future value of cash flows etc) of the investments by F&A Division as required by NICL Office Order No. (6/2000) dated 15-09-2000 revised 05-

06-2009, for placement of Mutual Funds. This is to note that JS Investments Limited offer was received on March 12, 2009, investment committee convened its meeting on the same day and Chairman's approval along with placement of fund was made on very next day i.e March 13, 2009. This showed that the investment was made in haste without any due diligence.

2. The management did not hire the services of professional fund managers at the time of placement of funds as required under the clause-6 of the Finance Division OM referred above. Audit further observed from a review of a research report of BMA that the total fund size as of March 2010 was Rs2.7 billion out of which only NICL's investment was Rs2.3 billion (85% ownership stake), rest of the balance owned by the related parties of JS Group. This was clear violation of para-5(d) of the Finance Division OM referred above.

3. The previous return history of these units was not available as those funds were initial launch by JS Protected Funds. Hence record of last three year's performance/returns was not available to mach with average T-bills rates. Further, NICL has not approached SECP to provide the formula for the calculation of the total return over units. This led non-compliance of clause 5 of the Finance Division OM referred above.

4. Investment was made with the approval of the Chairman. Whereas approval of the Board of Directors of the Company was not obtained. This is the violation of the clause-6 of the Finance Division OM referred above.

In view of the position given above, the investment was made in irregular manner and without due diligence resultantly, NICL sustained loss of Rs 255.243 million.

The matter was reported to the management through OM No. 39 on March 11, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.

2. recover the amount from the responsible officers, lost due to imprudent investment.

Award of Contracts

19. Irregular award of contracts for the renovation works – Rs162.110 million

The provisions of the Public Procurement Rules 2004 are as under:

Rule-12: provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation.

Rule-15 provides that a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

Rule-16 provides that the procuring agency engaging in pre-qualification shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications. The procuring agency shall provide a set of pre-qualification documents to any supplier or contractor, on request and subject to payment of price, if any.

In National Insurance Company Ltd (NICL), the management invited applications from contractors through press advertisement dated March 01, 2009 for pre-qualification for the interior furnishing and furniture works of NICL office only on the 4th floor, NICL Building, Karachi. Twenty five firms/contractors submitted the applications out of which the management short listed six firms on April 06, 2009. It was observed that the scope of work was enhanced after pre-qualification stage considerably in May/July 2009 and it was extended to the renovation work of all the NICL offices at Karachi, Islamabad and Lahore. Tender documents were issued to the six short listed firms in July 2009 and eight contracts valuing Rs162.211 million were awarded to three firms as per details given in Table at **Annex 8**:

The audit observed the following irregularities in the pre-qualification stage and in award of the above stated contracts:

1. The management did not formulate any prequalification documents which was violation of the Rule-16 of PPR-2004.

2. The management invited applications through press advertisement dated March 01, 2009 for pre-qualification for the interior furnishing and furniture works of only 4th floor of NIC building Karachi. However, after short listing of the bidders, the scope of work was enhanced considerably. In the opinion of audit had the full scope of work been advertised initially other prospective firms would also have participated thereby increasing competition and transparency. The change in the scope of work was in violation of the Rule-15 wherein it is laid down that such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

3. The contracts valuing Rs17.917 million and Rs28.235 million of the works at Islamabad and Lahore respectively were not advertised through press. The works at NICL building Karachi (other than 4th floor) were also not advertised through press. Therefore, the award of these contracts was in violation of the Rule-12 of PPR-2004.

4. The specific evaluation criteria as required under the PPR-2004 were not formulated. Vague/non-quantifiable evaluation criteria were given in the advertisement for pre-qualifications. Moreover, party-wise specific reasons for selection/rejection of the contractors for pre-qualification were not given by the management.

In view of the above irregularities, the audit is of the view that the contracts valuing Rs162.110 million were awarded in non-transparent manner, in violation of Public Procurement Rules 2004. NICL was also deprived of the benefit of competitive rates which needs to be justified.

The matter was reported to the management through OM No.23 on March 09, 2011 but no reply was received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulation in such transactions in future.

20. Irregular award of contract for the consultancy services for renovation of NICL offices – Rs12.238 million

The provisions of the Public Procurement Rules 2004 are as under:

Rule-15 provides that a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

Rule-16 provides that the procuring agency engaging in pre-qualification shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications. The procuring agency shall provide a set of pre-qualification documents to any supplier or contractor, on request and subject to payment of price, if any.

In National Insurance Company Ltd (NICL), the management invited applications from consultants for pre-qualifications for the interior furnishing and furniture works of NIC office on the 4th floor NIC building Abbasi Shaheed Road Karachi through press advertisement dated March 01, 2009 with the last date of submission of the applications March 20, 2009. Seventeen firms submitted the applications. The sequence of occurrence of events i.e. formation of the committees for short listing and award of the contract shows that the finalization of consultant for the subject work was concluded in one day. Details of events are given in Table -A at **Annex 9**:

It was observed that contrary to the scope of work advertised, the consultancy for nine contracts valuing Rs174.829 for the interior furnishing, furniture works, civil and plumbing works and electrical works at NICL Karachi and Islamabad buildings and NICL offices at Lahore and Multan was awarded to M/s Architectural Systems at the consultancy fee of Rs 12.238 million @ 07% of the total contract price (detail at Table – B at **Annex 9**). The audit observed that there was unreasonable haste in the award of consultancy contract which marred the element of transparency in these contracts. It was evident from the fact that other reputable firms such as NESPAK and Habib Fida Ali were ignored. Audit observed the following irregularities in the pre-qualification stage and in award of the contracts:

1. The management neither formulated any prequalification documents nor fixed the evaluation criteria as required under Rule-16 of PPR-2004. Consequently, it could not be ascertained that on what basis firms like NESPAK, Habib Fida Ali and Naqvi & Siddiqui Associates were rejected.

2. The management invited applications for the pre-qualification through press advertisement dated March 01, 2009 for pre-qualification of consultants to supervise the interior furnishing and furniture works of only 4th floor of NIC building Karachi. However, the scope of work was enhanced considerably without notifying the change through press. The change in the scope of work was in violation of Rule-15 which lays down that such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

3.. According to the conditions of the advertisement dated March 01, 2009 the firms should have expertise and experience in executing interior design and furnishing works and the detail of the works undertaken within last 05 years was to be provided. The GST registration number was also to be provided. M/s Architectural Systems neither provided their year of establishment nor GST registration number in the application. Therefore, their application was incomplete and it should have been rejected by the management.

In view of the above irregularities, the audit is of the view that the consultancy having value of Rs12.238 million was awarded in non-transparent manner, in violation of Public Procurement Rules 2004 and in fact, undue favour was extended to M/s Architectural Systems by the management. It was also observed that the contract was awarded in haste. The position needs to be elucidated.

The matter was reported to the management through OM No. 31 on March 10, 2011 but no reply received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulation in such transactions in future.

21. Unjustified expenditure on purchase of paintings – Rs. 4.071 million

Rule-10 of GFR provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

In National Insurance Company Ltd. (NICL), the management awarded three contracts for the interior furnishing, furniture work and supply of paintings for its offices at Karachi, Lahore and Islamabad valuing Rs. 50.677 million to a firm M/s CASA BELLA Lahore in August 2009/March 2010. Under the contracts, the firm supplied 143 paintings costing Rs. 4.071 million of different sizes as per details given below:

Size of	Number of Paintings supplied for	Total	Unit Rate	Total

Paintings (Sq. Feet)	Karachi	Lahore	Islamabad	(Nos.)	Rs. Per paintings	Amount (Rs.)
6 X 4	06	02	09	17	42,500	722,500
4 X 4	05	05	21	31	36,000	1,116,000
3 X 3	27	---	10	37	24,000	888,000
Small print	30	27	01	58	13,500	783,000
Total	**68**	**34**	**41**	**143**	----	3,509,500
Add. GST @ 16%						561,521
Grand Total						**4,071,020**

The audit observed that the expenditure was required to be incurred to attract the customers in competitive businesses whereas NICL has no business competitors as such. According to the Insurance Ordinance 2000, all the Govt. departments and public sector corporations/authorities/organizations are bound to insure their properties from NICL and 100% clientage of NICL is Govt. departments/public sector organizations. Therefore, Audit is of the view that, the expenditure of Rs. 4.071 million on purchase of paintings to decorate the offices lavishly was unjustified and waste of public money. The position needs to be justified.

The matter was reported to the management through OM No. 21 on March 09, 2011 but no reply received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and to ensure strict controls to incur expenditure only on need basis.

22. Loss due to imprudent decision for the purchase of generator set – Rs. 19.759 million

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

In National Insurance Company Ltd. (NICL), the management decided in January 2008 to replace its existing 1000 KVA standby generator set installed at NICL building Karachi with a new generator of a capacity of 1250 KVA. NESPAK was requested for the preparation of tender documents. NESPAK n its letter dated February 14, 2008 suggested that the technical viability of installing a 1500 KVA generator instead of 1250 KVA should be studied. If found suitable then tender should be made for a 1500 KVA generator as it will cater for the major load of the building.

The management as suggested by NESPAK invited tenders through press advertisement dated March 09, 2008 for the purchase of 1500 KVA generator. Four firms submitted the bids. M/s S.M. Jaffar & Co. submitted the lowest bid of Rs16.537 million. The management issued Letter of Award to S.M. Jaffar & Co on June 27, 2008. Subsequently, the firm in its letter dated July 03, 2008 stated that the exchange rate of US Dollar, which was almost constant during the last three years, had increased by 10.30% during the period March 2008 to July 2008. Therefore, the difference may be adjusted in the quoted price. The matter was referred to NESPAK by the management. NESPAK in its letter dated July 16, 2008 recommended that although the currency fluctuation adjustment is not permissible as per the tender documents the request of the bidder being reasonable may be allowed. NESPAK further recommended that re-tendering should be avoided as it can lead to higher cost. Contrary to the recommendations of NESPAK, the management went for fresh tender.

The fresh tender for the purchase of 1500 KVA generators were floated second time through press advertisement dated September 21, 2008. Two firms participated in the bidding and M/s Fort Pakistan submitted lowest bid of Rs. 24.228 million. Tender documents were referred to NESPAK for evaluation on October 15, 2008. The bidder requested 75% advance against irrevocable bank guarantee. NESPAK informed the management that the request of the bidder is acceptable under tender rules. However, on the directives of the Executive Director (CS) of NICL dated March 12, 2009, the management on the same day directed NESPAK to reject the tender for 1500 KVA generator and prepare revise specification for press tender of 2000 KVA generator set.

The management for the third time published advertisement for the purchase of 2000 KVA on March 15, 2009. Eight firms submitted their bids. The contract was awarded to M/s Technoman (Pvt) Ltd at a cost of Rs37.999 million on April 29, 2009. The supplier completed the work in November 2009 and the management made the payment of contractual amount of Rs37.999 million.

From the detail given above, it would be seen that initially NESPAK recommended the management to carry out the technical viability of the capacity of the generator to be installed. NESPAK further recommended 1500 KVA generator for the building. Accordingly the management invited bids for 1500 KVA generator on two times but rejected the offers of the lowest bidders against the recommendations of NESPAK on both the occasions. At last, the management purchased 2000 KVA generator without any technical viability which were above its requirements.

Audit is of the view that the action of the management to scrap the first two tenders for 1500 KVA generator despite of NESPAK recommendations was unjustified and imprudent. Had the management acquired the generator set of 1500 KVA capacity from M/s Jaffar & Co in March 2008 at a cost of 18.240 million (Rs16.537 plus 10.30% currency fluctuation charges Rs1.703 million) the loss of Rs19.759 million being the difference of the cost of 2000 KVA generator Rs37.999 million could have been avoided.

The matter was reported to the management through OM No. 22 on March 09, 2011 but no reply received till issuance of this report.
Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulation in such transactions in future. Moreover efficient controls be ensured to limit the expenditure on need basis.

23. Loss due to extra work on rented building – Rs2.267 million

The offices of National Insurance Company Ltd (NICL) at Lahore are housed on third floor of LDA Plaza Egerton Road, Lahore measuring 16,000 sq.ft. on rent since 1990. A lease agreement between NICL and Lahore Development Authority (Lessor) was executed on September 30, 1990 which was extended on the same terms and conditions from time to time till to date. The clause-11 of the agreement is as under:

> "That the lessor will carry out repairs of fundamental or structural defects of the demised premises including installations, as and when required. All other repairs of the demised premises will be the responsibility of the lessee at its own cost."

The management awarded a contract valuing Rs3.451 million for the electrical work for its Lahore offices to M/s Nawab Sons, Lahore on March 17, 2010. It was observed that out of total work of Rs. 3.451 million, the work of Rs. 2.267 million was the repairs of fundamental/structural defects in the installations of the demised premises. The detail of such work is as under:

Section of BOQ	Description of work	Amount (Rs in million)
1 A	L.T. Switch gear	0.096
1 B	Internal wiring	1.175
1 C	Fittings & fixture	0.309
1 D	Cables & conduits	0.279
1 H	Fire alarm System	0.409
Total		**2.267**

Audit is of the view that the above work was the contractual obligations of the lessor according to the clause-11 of the lease agreement. Therefore, the same was to be carried out by the lessor. However, the management awarded the contract for the works valuing Rs2.270 million on its own cost which is loss to NICL.

The irregularity was pointed out to the management through OM No. 8 on March 03, 2011. The management in its reply dated March 09, 2011 stated that it was the first time that renovation had been carried out since the construction of office. Although Lahore premises are rented but have been renovated along with our other offices keeping in view the business needs. The reply is not tenable as the defects appeared in the installations and wiring of the building with the passage of time which should have been fixed at the cost of the lessor as per lease agreement. However, the management incurred the expenditure on its own which is loss to NICL.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.
2. recover the amount from the responsible officers, lost due to avoidable and unnecessary expenditure incurred by the organization.

24. Irregular expenditure on rented accommodation for the Chairman resulted loss of Rs. 7.082 million

Government of Pakistan Finance Division through its OM dated August 18, 1998 laid down the salary packages for the professionals from the private sector appointed on contract basis in MP scales. The provision of the Para-4 of the OM was as under:

It was decided that the terms and conditions of the professionals from the private sector, proposed to be appointed on contracts against Top Management Positions in public sector, may be negotiated/determined within the scope of the salary and perquisite packages under reference. No other benefit of any kind would be admissible or may be considered for the contract appointees over and above those terms indicated in the salary and perquisites packages under reference.

In National Insurance Company Ltd. (NICL), Mr. Muhammad Ayyaz Niazi was appointed as Chairman w.e.f. February 12, 2009 vide Ministry of Commerce Notification dated June 08, 2009. The salary package of MP-I scale was admissible to him which included house rent allowance of Rs. 105,000. In the 54th meeting of the Board of Directors (BOD) of NICL held on February 27, 2009 it was considered that the house owned by NICL at Sunset Street phase-II DHA, Karachi for the accommodation of the Chairman is not in livable standard. The Board unanimously resolved that a house of 1000 square yards should immediately be hired on rent and fully furnished with all necessities along with a 30 KVA generator on NICL account without any further delay for the residence of the Chairman.

The management hired a Bungalow No. 62/3 Street No. B-8 Kheyaban-e- Badban Phase-V Defence Housing Authority Karachi, measures 666 sq. yds. (Ground + one floor) with effect from March 01, 2009 at the rent of Rs.130,000 per month. The management entered into an agreement with the land lady on March 11, 2009 for two years. The management paid a sum of Rs3.120 million on account of monthly rent for the period of March 2009 to February 2011 to the land lady. In addition, the management also incurred expenditure of Rs. 3.962 million on furnishing the rented accommodation as per detail given below:

Description of the work done	Date	Amount (Rs in million)
40 KVA Diesels generator for CEO House	29-12-09	1.042
10 Split Air conditioners for CEO house	29-04-09	0.533
Furnishing of CEO house	17-03-09	2.387
Total		**3.962**

The management incurred total expenditure of Rs7.082 million on providing and furnishing the rented accommodation to the Chairman. Later on Mr. Niazi was suspended on November 23, 2010 and the lease contract of the rented house was terminated on completion of its tenure by the orders of the successor Chairman dated February 14, 2011.

The audit noted that the facility of acquiring rented house and its furnishing on NICL account for Mr. Niazi, Ex. Chairman in lieu of house rent allowance was irregular. Such facility was not admissible under the MP-I package.

The irregularity was pointed out to the management through preliminary observation on March 07, 2011. The management in its reply dated March 09, 2011 stated that of NICL's own house was being used as camp office of the Minister of Commerce; the same could not be utilized for other purpose. Therefore, with the approval of the Board of Directors, the accommodation for the Chairman was hired and furnished according to the Chairman's status. The reply itself supports the audit observation that the facility was provided in violation of the pay package approved by the appointing authority, the BOD was not competent to allow any facility over and above the terms indicated in the salary and perquisites packages of the Chairman.

The matter was reported to the management through OM No. 09 on March 03, 2011, but no reply was received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.

2. recovery of Rs7.082 million from the Ex. Chairman of NICL.

25. Overpayment to Consultant M/S Osmani & Company on account of consultancy charges for replacement of lifts - Rs. 0.461 million

As a matter of prudence advance payments to contractors or suppliers should always be secured by guarantees.

In National Insurance Company Ltd. (NICL) an agreement was executed on June 02, 2009 between NICL and M/S Osmani and Company to provide consultancy for the replacement of existing lifts of NICL (HO), Karachi under an agreement executed on June 02, 2009 @ 3.5% for designing and 3% for supervision of the total cost of the work. Accordingly, total payment of Rs.4.557 million had to be paid on design level only but an amount of Rs.5.019 was paid.

The audit noted that the consultant vide his letter dated October 23,2009, showed his grievances regarding working affairs with respect to award of job, rates of items, direct supervising of work, contract administration, and processing of contractor bills without involving the consultant. It was further noted that in response to his grievances the NICL put an agenda for withdrawal of consultants in 63rd and 64th BoD meeting which was subsequently approved by the BoD on January 11, 2010.

It was observed that due to withdrawal of consultancy services the excess amount of payment to the tune of Rs.0.461 million made to the consultant at the designing stage was lost since no further work was carried out by him in the supervision stage (which was subsequent to the designing stage).

Audit holds the view that the termination of consultant after the payment of the excess amount of Rs. 0.461 million as advance was irrational and not in the interests of the organization.

The matter was reported to the management through OM No. 33 on March 10, 2011 but no reply received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.

2. recover the amount from the responsible officers, lost due to payment to consultant amount in advance against which services were not acquired.

Human Resource Management

26. Irregular and Unjustified appointment of a Chairman in National Insurance Company Limited (NICL)

The Sub section -1 of Section-12 of Insurance Ordinance 2000 states that “A person is not a fit and proper person to hold the position of Chairman, or Chief Executive or Principal Officer in Pakistan, of any insurance company if that person does not have experience or qualifications of direct relevance to the conduct of insurance operations”.

Contrary to the provision existed in the Insurance Ordinance 2000 the appointment of the Chairman concerned was made in National Insurance Company Limited (NICL) who was a banker and had no qualification/experience of insurance business. Moreover the appointment was made without any advertisement in the press and in violation of prescribed procedure.

Mr. Ayaz Niazi was appointed as Chairman of National Insurance Company Limited vide Notification dated February 12, 2009. He assumed the charge on the same date. After the initiation of probe on NICL for alleged irregularities he was sent on forced leave October 14, 2010. Consequent upon his arrest, he was suspended by Ministry of Commerce on November 23, 2010. His contract period expired on February 12, 2011.

The Ministry of Commerce vide its letter dated January 2009 submitted a summary to the Secretary Establishment Division and Principal Secretary to Prime Minister recommending to post a person as Chairman, National Insurance Company Limited (NICL) from the three individuals including Mr. Ayaz Niazi. The Establishment Division vide U.O. dated February 07, 2009 informed the Prime Minister’s Secretariat that according to contract policy, appointment on contract have to be made in accordance with Civil Servant (Appointment, Promotion & Transfer) Rules, 1973 which lay down that the post should be advertised.

Ministry of Commerce vide their letter dated March 06, 2009 submitted a summary for the Prime Minister addressed to Secretary Establishment and Principal Secretary to the Prime Minister that Mr. Ayaz Niazi may be placed in MP-I Scale for a tenure of two years.

The Establishment Division’s U.O. dated March 26, 2009 reiterated its earlier stance that the case of appointment in MP scales needs to be advertised in the press, and processed through a Selection Committee notified by Establishment Division vide their notification dated April 11, 2005.

The audit noted that the case for appointment of Mr. Ayaz Niazi in MP-I scale was not processed as per prescribed procedure. Audit is of the view that there was a fault on the part of the Ministry of Commerce who proposed the name of three individuals in the summary for the Prime Minister to make a choice from amongst them. As intimated by the Establishment Division in their letters quoted above the post of Chairman on contract basis in MP-I was required to be advertised which was not done and hence appointment is treated irregular/unjustified.

The matter was reported to the management through OM No. 11 on March 07, 2011. Management in its reply dated March 09, 2011 stated that the appointment was made by a Notification dated February 12, 2009 received from Ministry of Commerce based on a letter dated February 10, 2009 received from the Prime Minister Secretariat who appointed Mr. Ayaz Niazi as Chairman NICL on contract basis and subsequently was given MP-I scale for tenure of two years.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulations and fairness and transparency in all Human Resource Management issues in future.

27. Irregular /unjustified Payment of Bonus to the Chairman of NICL - Rs 2.0 million

Finance Division's orders contained in their letter No.F.3 (5) R.12/89(R.14)/2002-154 dated March 18, 2002 provide that the Managing Directors and Members of the Board of directors will not be entitled to receive bonus.

In violation of above orders the National Insurance Company Limited (NICL) paid a sum of Rs 2.0 million to their Chairman Mr. Ayaz Niazi on July 23, 2010 as Bonus for the year 2010.

Audit is of the view that the payment of bonus to the Chairman was not allowed as per Finance Division's Letter dated March 18, 2002. Thus payment of Rs 2.0 million requires recovery.

The matter was reported to the management through OM No. 7 on March 03, 2011. Management in its reply dated March 10, 2011 stated that NICL is incorporated and registered insurer under its provision of Companies Ordinance 1984 and Insurance Ordinance 2000. NICL Chairman of the Board also serves as the Chief Executive of the company. As per SECP explanatory notes the Chief Executive of the company includes in the definition of "Officer". Previous Chief Executives were also paid bonuses during the years of their service to NICL They further stated that Board of Directors as per their power allowed Chief Executive Bonus of Rs 2 million for the year ended December 31,2009.

The reply is not convincing as Board of Directors are not competent to supersede the orders issued by the Finance Division

Audit is of the view that the payment of bonus to all Chairmen given after March 2002 to date may be recovered under intimation to audit.

28. Irregular and Unjustified appointment of a General Manager at higher post against a post (Chief Manager) offered

As per Part-I of Human Resource Manual under Employment Resource there are two ways for appointment which are given below (a) Inviting application through press advertisement and (b) Utilization the services of placement agencies/Executive Search.

In National Insurance Company Limited (NICL) Mr. Ayyub Siddique Ahmed Butt was appointed as General Manager (HR/Admn /IT) under Monetized Salary Package (MSP) with effect from April 13, 2009 at a gross salary of Rs 108,000 against the offered post of Chief Manager for which the gross salary was fixed as Rs. 70,500 per month.

The audit observed that while appointing Mr. Mr. Ayyub Siddique, neither the criteria given in HR Manual of NICL regarding appointment was adopted nor the post advertised in newspaper as no documentary evidence is available in his personal file provided to audit.

Further his appointment was approved as a permanent Regular Employee with effect from January 01, 2010 It is worthy to note the services of an employee were approved as permanent / regular who did not even complete even one year of service period. As per Human Resource Manual of NICL under clause-8 (Probation) it was stated that persons entering in the service of the company would be on probation for a period of one year unless it is extended.

It was further observed that Mr. Ayyub Siddique was promoted from General Manager to Executive Director on February 24 2010 at the gross salary of Rs.175,050 per month while his probationary period of one year as prescribed in HR manual was not yet complete.

The matter was reported to the management through OM No. 10 on March 07, 2011 but no reply received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulations and fairness and transparency in all Human Resource Management issues in future.

29. Irregular and Unjustified appointment of an Executive Director (IT) at unsanctioned post and non observance of prescribed procedure during appointment.

As per Part-I of Human Resource Manual under Employment Resource there are two ways for appointment which are given below (a) Inviting application through press advertisement and(b) Utilization the services of placement agencies/Executive Search.

In National Insurance Company Limited (NICL) Mr. Tariq Aziz was offered for appointment on October 06, 2008 as Executive Director (IT) on contract at Monetized Salary Package (MSP) of Rs 90,000 plus other benefits and terms and conditions for a probation period of (3) months.

The audit observed that neither the criteria given in HR Manual of NICL regarding appointment was adopted nor the post advertised in newspaper as no documentary evidence is available in his personal file provided to audit.

It is worth mentioning here that the job was not advertised /published in any newspaper as no documentary evidence to the effect is available in his personal file. The appointment was made on the recommendation of the Secretary of Trade Development Authority of Pakistan (TDAP) who wrote a DO letter to the Chairman of NICL on August 12, 2008. Further no sanctioned post of Executive Director (IT) existed in the NICL as evident from the record.

Later on after expiry of 3-month probation period the officer concerned was re-appointed as General Manager/Chief Information Officer (IT) on January 27, 2009 as there was no sanctioned post of Executive Director (IT) in NICL, with Monetized Salary Package (MSP) of Rs. 112,000 with the same terms and condition and other benefits. In both the occasions the post was not advertised in the newspapers to indicate the transparency of the appointment as no documentary evidence is available in the file provided to audit.

Audit is of the view that this appointment was a violation of NICL's HR Manual.

The matter was reported to the management through OM No. 27 on March 10, 2011 but no reply received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulations and fairness and transparency in all Human Resource Management issues in future.

30. Irregular and Unjustified appointment of a General Manager after the age of superannuation in NICL

Cabinet Secretariat (Establishment Division) of Government of Pakistan vide orders No, 4/2/90-R-I dated December 05, 1990 and subsequent instructions issued vide letters dated May 26, 1999 and December 04, 2007 in which clearly directed that that the re-appointment after the age of superannuation in the Government, Semi-Government, Autonomous bodies and Semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

In National Insurance Company Limited (NICL), Mr. Ali Asghar, General Manager was retired from the service of NICL on July 06, 2010 after attaining the age of superannuation. The officer concerned was re-appointed on the same post of General Manager (HR&T) at a gross salary of Rs120,000 per month.

The audit observed that the officer was re-appointed on the same post without any approval of Prime Minister as no documentary evidence is available in the file showing that the approval of the Prime Minister was obtained in this re-appointment case.

It is worth mentioning here that at the time of retirement the officer concerned was drawing monthly basic pay Rs. 60,750 while on re-appointment after the age of superannuation he was appointed at the monthly salary of Rs. 120,000 plus other fringe benefits and other facilities.

Audit is of the view that the appointment of General Manager after the age of superannuation was irregular /unjustified as the same was made without obtaining the approval of Prime Minister.

The matter was reported to the management through OM No. 28 on March 10, 2011 but no reply received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulations and fairness and transparency in all Human Resource Management issues in future.

31. Irregular and Unjustified appointment of a General Manager (Admn) in violation of HR Manual

As per Part-I of Human Resource Manual under Employment Resource there are two ways for appointment which are given below (a) Inviting application through press advertisement and(b) Utilization the services of placement agencies/Executive Search.

The management of National Insurance Company Limited (NICL) appointed Mr. Asghar Ali Shad as General Manager (Admn) at the Monetized Salary Package (MSP) at Rs. 110,000 on June 14, 2010.

The audit observed that neither the criteria given in HR Manual of NICL regarding appointment was adopted nor the post advertised in newspaper as no documentary evidence is available in his personal file provided to audit.

In this connection it is stated that the post of General Manager (Insurance) and General Manager (Audit/Compliance) were advertised in the Business Recorder on March 28, 2010 with the desired/required qualification for the post of General Manger (Insurance) as MBA/M.Com having ACII /FCII with a minimum 15 years experience of Insurance. Similarly the desired/required qualification published in the Business Recorder for the post of General Manager (Audit/Compliance) was ACA/ACCA with minimum 5 years experience in internal Audit/Accounts with a reputed organization.

It is pertinent to mention here that against the advertised post of General Manager (Insurance) and General Manager (Audit /Compliance) Mr.Asghar Ali Shad was appointed as General Manager (Admn) who was an engineer and a retired army officer. Further the date of birth of the officer available in record was January 1958 who was appointed on June 14, 2010 at the age of about 52 years while in advertisement the desired/required age limit was 35-40 years. Thus the appointment was made at the age of 52 years against the age limit published in newspaper.

Audit is of the view that the appointment of Mr.Asghar Ali Shad was made against a post which not published/advertised in the newspaper and who did not fulfill the desired / required qualification and experience. Moreover he was beyond the age limit that was required for appointment.

The matter was reported to the management through OM No. 13 on March 07, 2011 but no reply received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulations and fairness and transparency in all Human Resource Management issues in future.

32. Irregular / Unjustified appointment of an unqualified General Manager (Finance) without verification of professional Certification declared fake and subsequent reappointment after superannuation in violation of Government orders.

Cabinet Secretariat (Establishment Division) Government of Pakistan vide orders No 4/2/19-R-I dated December 05, 1990, and subsequent instructions issued vide letter dated May 26 1999 and December 04, 2007 directed that the re-appointment after the age of superannuation in the Government, Semi-Government, Autonomous bodies and Semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

Contrary to above the officer concerned was re-appointed in National Insurance Company Limited (NICL) retired after the age of superannuation without obtaining the approval of Prime Minister.

Mr. Athar Naqvi (General Manager Audit/Company Secretary) was retired from the service on December 25, 2009 after attaining the age of superannuation. The officer concerned was re-appointed in the same position i.e. General Manager (Audit /Company Secretary) and was offered a gross salary of Rs. 102, 000 per month vide letter issued on January 18, 2010 with other usual terms and condition and benefits as admissible under the package with effect from December 26, 2009.

The Board of Directors of the company in its 64th meeting held on December 11, 2009 approved the re-appointment of Mr. Athar Naqvi as General Manager (Finance)/Company Secretary on usual terms and condition under the Monetized Salary Package (MSP) at Rs 102,000 per month with other usual terms. The monthly salary was revised subsequently along with other contract employees to Rs 120,000 vide office order dated August 30, 2010 with effect from January 01, 2010.

It is worth mentioning here that there was complaint/allegation reported to the Secretary of Ministry of Commerce and Chairman of NICL on April 01, 2009 and September 28, 2010 against the officer concerned regarding his fake certification as a Chartered Accountant on the basis of which he was appointed as General Manager (Finance). It was held that he was simply B.A and not a qualified Chartered Accountant. The officer concerned was initially appointed against the post of General Manager (Finance) through post advertised in the year 2001. As per advertisement, the required qualification and experience was FCA/FCMA with 15 years’ post qualification experience of the relevant field.

The copies of documentary evidences about the qualification of officer concerned as well as copy of advertisement published in newspapers in 2001 were not available in the file provided to audit.

Keeping in view the above fact the initial appointment of Mr. Athar Naqvi as General Manager (Finance) in 2001 was illegal/irregular rather he was re-appointed after the age of superannuation without verifying his academic record/ qualification.

It is surprising that Office Order No, 1/009 dated February 27, 2009 revealed that Mr. Athar Naqvi was given the charge of Company Secretary and GM Audit in addition to looking after Real Estate Business and Administration Department. The posting of an officer to four different posts at a time was irrational.

Audit is of the view that how the GM Audit can check/monitor the work of other departments under his control/headship. The GM Internal Audit should perform his duty as an auditor independently without assigning the headship of other departments.

Ministry of Commerce vide their letter N0,11(56)/2009/PM-Ins dated August 19, 2009 and even No, dated September 28, 2009 directed the Chairman to confirm the valid degree of FCA/FCMA of Mr. Athar Naqvi and provide a certified copy of such testimonial(s) to the Ministry by October 02, 2009. Instead of taking any such action NICL re-appointed the officer concerned on December 11, 2009 without confirming his qualification already suspected. Ministry of Commerce vide letter dated October 28, 2010 again asked the management of NICL to look into the matter but no action was taken against the officer concerned who remained posted on the same post till he was apprehended by FIA. The company has terminated the services contract of Mr. Athar Naqvi with effect from February 21, 2011.

The matter was reported to the management through OM No. 4 on March 03, 2011. Management in its reply dated March 07, 2011 stated that Board of Directors in its 64th meeting held on December 11, 2009 approved the re-appointment of Mr. Athar Naqvi retired on superannuation keeping in view of his past experience /satisfactory performance. They further stated that management in past responded to the Ministry of Commerce that the officer concerned is going to be retired on attaining the age of superannuation and on his retirement the matter of his appointment as GM (Finance) will come to an end.

The reply is not convincing as the re-appointment after the age of superannuation required the approval of Prime Minister which was not obtained and BOD was not competent to exercise the power of Prime Minister. Further the documentary evidences provided from the firms of Chartered Accountants indicated that he had not even passed his Intermediate examination having experience of intermediate level and was studying for Final examination at the time of initial appointment as GM (Finance). In fact, he was a Senior Auditor who cannot be treated equal to CA qualification required for the post advertised.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and compliance of all relevant rules and regulations and fairness and transparency in all Human Resource Management issues in future.

33. Irregular appointment of Deputy Manager, Chairman Secretariat resulting in irregular payment of Rs.0.664 million

The para-4.2 of the Human Resource Manual of National Insurance Company Ltd (NICL) laid down that “The application against those positions which are not subject to the entry test are scrutinized with reference to the required academic/professional qualification, experience, age limit, application which fall short of any required specification are rejected.

In NICL, the management invited applications through press advertisement dated March 28, 2010 for the appointment of Staff Officer to Chairman. According to the advertisement the prescribed qualification of the post was graduation. It was observed that against the advertised post, Mr. Abdul Rafay Mehta, was appointed as Deputy Manager, Chairman Secretariat on Monetized Package System (MPS) on May 05, 2010. The incumbent did not submit any formal applications to NICL simply a CV is placed in his personal file. Mr. Abdul Rafay Mehta joined the services in NICL on May 06, 2010 without submitting any educational degree. NICL has asked many times in written to submit his academic qualification degree/certificates, experience/technical certificate and domicile vide their letter no NICL/Estt/HO/2010 dated: 06-09-2010, 17-09-2010 and 17-01-2011. In response the officer submitted only Matric Certificate on January 18, 2011 with the statement that he has lost his records in the shifting process and he is trying to obtain the same from the relevant Universities.

It could not be ascertained by the audit that in the absence of required qualification and the testimonials and relevant experience, how the incumbent was considered for the post of Deputy Manager. Further, non-submission of his academic certificates even after 11 months of joining of the services is a serious issue which leads towards the fake statement of the incumbent. An amount of Rs. 0.664 million has been paid to the incumbent during the period of May 2010 to February 2011 on account of pay & allowances and fringe benefits.

Audit is of the view that the appointment of Mr. Abdul Rafay Mehta as deputy Manager in NICL was irregular therefore, the management immediately terminate the services of incumbent and recover all the payments made to the incumbent under intimation to Audit.

34. Unjustified and in-fructuous expenditure on hiring of Media Services and Violation of PPR Rules - 2004 in appointment of service provider - Rs 2.400 million.

As per PPRA's 2004 Rules – 20 read with Rule – 12, hiring of services are to be advertised in newspapers and PPRA's website.

In National Insurance Company Limited (NICL), the work of media service was awarded to a company M/s Magnates Communication Solution (Pvt.) Limited, Islamabad without any advertisement in violation of PPRA Rules- 2004.

The management of National Insurance Company Limited (NICL) signed an agreement with M/s Magnates Communication Solution (Pvt) Limited, Islamabad on January 8, 2007 for providing media services to NICL on a monthly retainer ship fee of Rs 200,000 with effect from January 08, 2007 for a period of one year, expiring on January 07, 2008.

The detail of services rendered by M/s Magnates during January 2007 to December 2007 showing either frivolous works or no work done at all is given in Table at **Annex 10**:

It is worth mentioning here that as per PPRA's rules 2004 it was the responsibility of NICL to advertise the job in press at large and PPRA's website to obtain competitive rates by providing equal opportunities to all parties without any discrimination and fulfill the requirement of transparency. However in this case no such procedure was adopted in the appointment of M/s Magnates in violation of PPRA Rules – 2004.

The audit observed that in the months of March 2007, April 2007, June 2007 and July 2007 no activity was performed by M/s Magnates while they were paid the retainer ship fee of Rs 800,000 being monthly fee @ Rs 200,000 for four months.

Similarly the same party was awarded/renewed the agreement on the same terms and conditions for another period of one year and agreement was signed between NICL and M/s Magnates on January 8 2008 without observing the prescribed procedure.

The performance of M/s Magnates during January 2008 to December 2008 is not available in the file. However management informed that the revised contract was not materialized by NICL.

Audit is of the view that there was no need to enter in that agreement at the monthly recurring fee of Rs 200,000 paid by the NICL. Further the PPRA's rules were required to be followed in the appointment of the party which was not done.

The matter was reported to the management through OM No. 29 on March 10, 2011 but no reply received till issuance of this report.

Audit would, therefore, suggest to:

1. fix responsibility on the person(s) at fault.
2. recover the amount from the responsible officers, lost due to avoidable and unnecessary expenditure incurred by the organization

Miscellaneous

35. Irregular /unjustified retention of un-authorized signatories in NICL after suspension.

As a matter of prudence the persons on suspension should not be entrusted the responsibility as signatories of the bank accounts of the organization.

In National Insurance Company Limited (NICL), consequent upon their arrest by FIA vide FIR No, 24/2010 dated December 12, 2010 certain officers were suspended by NICL with effect from November 03, 2010. It was observed that out of suspended officers some officers were holding the post of authorized signatories of different bank accounts operated by NICL in different banks.

The audit noted that the names of Mr. Zahoor Ahmed, Executive Director (F&IT/RE), Mr. Athar Naqvi, General Manager (Audit) and Mr. Zahid Hussain General Manager (Real Estate) were appearing in the list of authorized bank account signatories for local as well as foreign currency bank accounts as on December 31, 2010 while these officers stood suspended much earlier on November 03, 2010.

Audit is of the view that at the time of suspension of the officers their names were to be excluded from the list of authorized signatories. Moreover the audit noted that an officer (Mr. Athar Naqvi) posted in internal audit department should not be included in the list of authorized signatory for efficient financial controls, and to maintain effective checks and balance system in the organization.

The matter was reported to the management through OM No. 30 on March 10, 2011 but no reply received till issuance of this report.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and manage the organizational funds in the best possible manner to mitigate risks involved.

36. Investment decisions without specific investment policy and planning by the management.

Section 16 of the NICL Act 1976 provides that “the corporation may invest its moneys in such manner as the Board may deem fit.

Section 53 of the Memorandum of Association (MoA) allows NICL to purchase and sell properties, assets, projects and industries for re-organization, modernization, replacement, improvement etc. to carry on any other business that may seem to the Company capable of being conveniently carried on in connection with the above objects.

In National Insurance Company Limited (NICL), the management invested funds in properties, mutual funds and stock markets without a defined investment policy thereby leaving it to the officers who are assigned to look after investment to undertake any investment they desired without guidelines of the Board as regard rules and procedures and aspects to be considered while planning investments involving huge funds.

The audit observed that since specific guidelines with regard to Rate of Return to be observed, Payback Period to be watched and Cost Benefit analysis to be exercised were not existent at the time when the committees decided investments involving huge funds hence a number of investments either caused blockage of funds or the funds were lost totally.

Audit would, therefore, suggest investigation of the case with a view to fix responsibility on the person(s) at fault and formation and approval of specific investment policy to guide the assigned committees with regard investments considered profitable by NICL.

Annexes

Annex 1 (Para 1)

Details of land (20 Kanal 02 Marla) procured by Mr. Mohsin Habib from other parties with dates

Land owned by	Area of Land	Total Price	Date of Purchase by Mr. Mohsin
Ayesha, Bushra, Salma and Shehla Qayyum	08 Kanal 00 Marla	Rs 8M	24-Jun-09
M. Amjad	04 Kanal 03 Marla	Rs 4.15M	24-Jun-09
M. Amjad	00 Kanal 17 Marla	Rs.850,000	24-Jun-09
Zahida Parveen	07 Kanal 02 Marla	Rs.222,000	30-Jun-09
	20 Kanal 02 Marla	**13.22 M**	

<u>Annex 2(Para 3 & 4)</u>

Details of total purchase cost of Land (20 *Kanal* 02 *Marla*)

Description	Amount (Rs. in million)
Cost of land 20 *Kanal* 02 *Marla*, Airport Road, Lahore.	1,065.300
Levies: stamp duties, CVT, Reg. fee, Transfer of Immovable Property fee:	106.530
Total Cost	**1,171.830**

Annex 3 (Para 9&10)

Table – A
Evaluation by 2 firms of shortlisted Land (803 Kanal 19 Marla) (Rs. in million)

Name of Valuator	Property Address	Owned By	Area (Approx. in Acres)	Demand	Evaluated Market Price
M/s S.A Associates	Moza Toor Wariach off Ferozepur Road, Lahore	M/s Privilege Farms (Pvt.) Limited	100 (803 Kanal 19 Marlas)	1,686.300 (Rs. 16.800 million per acre)	1,846.350
	Mouza Tarray, Main Multan Road , Lahore	M/s Dream Resort Limited	221.5 (1772 Kanal)	1,377.600 (Rs. 6.219 million per acre)	637.500
M/s Medallion Services (Pvt.) Ltd	Moza Toor Wariach off Ferozepur Road, Lahore	M/s Privilege Farms (Pvt.) Limited	100 (803 Kanal 19 Marlas)	1,686.300 (Rs. 16.800 million per acre)	1,887.496
	Mouza Tarray, Main Multan Road , Lahore	M/s Dream Resort Limited	221.5 (1772 Kanal)	1,377.600 (Rs. 6.219 million per acre)	575.900

Table-B
Evaluation Criteria Sheet for procurement of Land (803 *Kanal* 19 *Marla*)

S. No	Observation	Marks obtained by M/s Privilege Farms (Pvt.) Limited	Marks obtained by M/s Dream Resort Limited
1	Marks obtained for Location	12	08
2	Marks obtained for access from main road	09	10
3	Marks obtained for face on main road	10	05
4	Marks obtained for estimated Cost	20	20
5	Marks obtained for environment	08	02

<u>Annex 4 (Para 14)</u>

Loss of charges in connection with property purchased by NICL in Dubai

Total Area	**Rate AED per sq. ft.**	**Exchange rate of rupees with AED in 2009**	**Period** (July 2009 to Feb 2011)	**Amount** (Rupees in million)	**Amount to be paid on account of chiller charges** (July 2009 to Feb 2011)	**Total Amount of loss sustained by NICL** (Rupees in million)
27,429	375	22.50	21 months	4,860.075	158.955	5,019.03

Annex 5 (Para 15)

Violation of NAB Ordinance section 33 B during contracting above prescribed limit

S.No	Contract Title	Contract Date	Party Name	Amount (Rs. in million)
1	Procurement of land, measuring 20 Kanals 02 Marlas, Airport Road, Lahore.	2009	Moshin Habib Warraich's	1,065.300
2	Procurement of 06 units' office space at Liberty House, DIFC, Dubai.	2009	M/s Antoine Routeix	1,688.158
3	Procurement of land, measuring 10 Acres, Korangi Township, Karachi.	2009	Khaid Anwar Khan	900.000
4	Renovation Work of civil & plumbing works at Karachi office	2009	M/ s Floors & Doors	72.787
5	Replacement of Lifts at NICL Building Karachi	2009	M/s Raja Brothers	130.199
6	Replacement of HVAC System at NICL Building , Karachi	2010	M/s Sabro	249.894
7	Procurement of land measuring 100 acres (803 Kanal 19 Marlas), Off Ferozepur Road, Lahore.	2010	M/s Privilege Farms (Pvt) Limited	1,686.300
			Total	**5,792.638**

Annex 6 (Para 17)

NICL's approved settlement of 100 million investment with FDIBL

	Description	Amount	Present status	Results of New Conversion
A.	**Part Settlement**			
	PPTFC- Pak Hy Oils	Rs 30 Million	Exists as on December 31, 2010	Blockage of funds.
	PPTFC- Flying Paper and Board	Rs 10 Million	Exists as on December 31, 2010- The Company delays in payment of coupon profit	Blockage of funds. This company is also a defaulting one and delays payment of coupon profit
	Total Settlement upfront	**Rs 40 Million**		
B	**Part Conversion**			
	Preference Shares FDIBL (05 years convertible, cumulative, non-voting callable with 4% preferred dividend)	**Rs 60 Million**	Issued on 24-02-2010	Blockage of funds with a defaulter company. Low profit in comparison of original TDR i.e. 4% in comparison of 18.5%.
	A+B	**Rs 100 Million**		
	Mark-up (from 25-11-08 to 24-05-2009@18.5% from 25-05-2009 to 30-12-2009)		Mark-up recovered	Low mark-up i.e. @6% in comparison of 18.5% for 6 months period

Annex 7 (Para 18)

Investments and Disinvestment of funds by NICL in 'JS Principle Fund'

Table- A

Details of total amount realized on disinvestments of Rs. 2.000 billion

Particulars	Amount (Rs. in million)
5,833,009 units transferred to sundry parties with negotiated back end load of 3%.	Rs. 577.627
15,481,262 units redeemed through trustee (CDC) with back end load of 5%	Rs. 1,487.130
Total units 21,314,271 disinvested. Total amount realized	Rs. 2,064.757
Gain on disinvestment (From 13.3.2009 to 20.7.2010)	Rs. 64.757
Annual Rate of Return	**2.35% per annum**

Table – B
Calculation of Loss

Particulars	Amount (Rs. in million)
Return (For one year) Rs.2,000,000,000 x 12% =	Rs. 240.000
Add: Return (For 04 months) Rs.2,000,000,000 x 12% /12 x 4=	Rs. 80.000
Total return	Rs. 320.000
Less. Gain received after disinvestment	Rs. 64.757
Loss on investment	**Rs. 255.243**

Annex 8 (Para 19)

Civil Works assigned by NICL to 3 selected bidders

(Rs. in million)

Sr. No.	Name of the contractor	Description of the work	Date of award	Amount
Contracts in respect of NICL Building Karachi				
1	CASA BELLA, Lahore	Renovation of Furniture & Paintings works at 2-nd, 3-rd, 4-th, 5-th & 6-th floors of NICL building at Karachi	25-08-09	26.987
2	Floor & Doors, Karachi	Renovation work of civil & plumbing at 2-nd, 3-rd, 4-th, 5-th & 6-th floors of NICL building at Karachi.	25-08-09	72.787
3	Nawab Sons, Lahore	Renovation works of Electrical at 2-nd, 3-rd, 4-th, 5-th & 6-th floors of NICL building at Karachi	25-08-09	16.184
		Sub Total		115.958
Contracts in respect of NICL Building Islamabad				
4	CASA BELLA, Lahore	Renovation of Furniture & Paintings works at 13-th & 14-th floor of NICL building Islamabad	25-08-09	9.310
5	Floor & Doors, Karachi	Renovation work of civil & electrical at 13-th & 14-th floors of NICL building Islamabad	25-08-09	8.607
		Sub Total		17.917
`Contracts in respect of NICL office in rented Building Lahore				
6	CASA BELLA, Lahore	Renovation of Furniture & Paintings works Lahore office	17-3-10	14.380
7	Floor & Doors, Karachi	Renovation work of civil & plumbing at Lahore office	17-03-10	10.404
8	Nawab Sons, Lahore	Renovation works of Electrical at Lahore office	17-03-10	3.451
		Sub Total		28.235
		Grand Total		**162.110**

Annex 9 (Para 20)

Table – A

Detailed order of events during approval of consultant in NICL in one day.

Events	Date
An evaluation committee comprising four members was formed.	24-03-09
Statement showing details of all the applicants was prepared by the evaluation committee.	24-03-09
Another committee comprising of four officers was formed by the Chairman NICL to short list and appointment of the consultant.	24-03-09
The committee short listed four firms as follows: a. NESPAK b. Naqvi & Siddiqui Associates. c. Architectural Systems. d. Habib Fida Ali.	24-03-09
The committee recommended to the Chairman NICL that Architectural System may be appointed as the consultant.	24-03-09
The Chairman appointed Architectural Systems as the consultant.	24-03-09

Table - B
Statement showing the details of consultancy awarded to M/s Architectural Systems valuing Rs. 12.238 million

Project	Location of project	Contract price Rs.	Consultancy Fee @ 07% of contract
Interior design works at NICL self occupied offices of NICL at Karachi (Constructional works of civil and plumbing works)	Karachi	72,787,325	5,095,112
Interior design works at NICL self occupied offices of NICL at Karachi (Electrical works)	Karachi	16,184,250	1,132,897
Interior design works at NICL self occupied offices of NICL at Karachi (Furniture and paintings)	Karachi	26,987,298	1,889,110
Sub total		115,958,873	8,117,121
Interior design works at NICL self occupied offices of NICL at Islamabad (Constructional works of civil and plumbing works and Electrical works)	Islamabad	8,606,598	602,461
Interior design works at NICL self occupied offices of NICL at Islamabad (Furniture and paintings)	Islamabad	9,310,000	651,700
Sub total		17,916,598	1,254,161

Interior design works at NICL self occupied offices of NICL at NICL Building Lahore (Constructional works of civil and plumbing works)	Lahore	10,403,823	728,267
Interior design works at NICL self occupied offices of NICL at NICL Building Lahore (Electrical works)	Lahore	3,451,400	241,598
Interior design works at NICL self occupied offices of NICL at NICL Building Lahore (Furniture and paintings)	Lahore	14,380,368	1,006,625
Sub total		28,235,591	1,976,491
Interior design works at NICL self occupied offices of NICL at Multan (Civil and plumbing works, Electrical works ,Furniture and paintings)	Multan	12,716,944	890,186
Sub total		12,716,944	890,186.08
Grand Total		**174,828,006**	**12,237,960**

Annex 10 (Para 34)

Month wise details of services rendered by M/s Magnates

Sr. No.	Period	Services Rendered by M/s Magnates
1.	January 2007	Arranged an interview of NICL Chairman, Mr. Abid Jawed Akbar in a live program "POWER LUNCH" of CBNC on 3rd January, 2007. It was a live interview of 45 minutes hosted by Junaid Iqbal.
2.	February 2007	NICL Chairman, Mr. Abid Jawed Akbar was Chief Guest at NICL CUP on the event held on 26-02-2007 at Race Club, Lahore.
3.	March 2007	No activity was assigned to Magnates during this month by NICL.
4.	April 2007	No activity was assigned to Magnates during this month by NICL.
5.	May 2007	i).A Press Release was released by Magnates on the lunch of NICL Annual Report 206. ii) Arranged an interview of NICL Chairman, Mr.Abid Jawed Akbar in a Live Program "POWER LUNCH" of CNBC on 31st May 2007.
6.	June 2007	No activity was assigned to Magnates during this month by NICL.
7.	July 2007	No activity was assigned to Magnates during this month by NICL.
8.	August 2007	On the occasion of the New Product Launching Ceremony arranged by NICL at Sheraton Hotel ,all the print and electronic media services arranged by Magnates to cover the event. Arranged an interview of NICL Chairman, Mr. Abid Jawed Akbar on PTV to highlight the newly launched insurance product of NICL.
9.	September 2007	An interview was conducted by Magnates Sister concern **Online International News Network**
10.	October 2007	On the occasion of Meeting of NICL Chairman with Prime Minister, Magnates to get extensive media coverage.
11.	November 2007	Arranged meeting of NICL Chairman with Mr.Khaleeque Kiani, Senior Reporter of Daily Dawn, Islamabad.
12.	December 2007	Arranged an interview of NICL Chairman on Business plus in their program "OPINION" Arranged meeting of NICL Chairman with Mr.Afzal Bajwa, Editor Reporting, The Nation, and Islamabad.