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### **AGP's report, PD failed to make 'appropriate' rules under GIDC law**

SLAMABAD: Auditor General of Pakistan held the Petroleum Division responsible for failure to make appropriate rules under the Gas Infrastructure Development Cess (GIDC) Act 2015 which accounts for the non-realization of principal and late payment surcharge on GIDC amount.

Audit Report on, "The accounts of petroleum division and oil and gas regulatory authority audit year 2018-19" expressed serious concerns over non collection of GIDC due to circular debt issues and court cases against the cess.

Audit further noted financial management weaknesses in Petroleum Division particularly those relating to the lack of a mechanism in place for monitoring the assessment/ collection of revenue receipts, recovery of arrears of Gas Development Surcharge (GDS), GIDC, Petroleum Levy and royalties. In the case of Pakistan State Oil (PSO), Pakistan Petroleum Limited (PPL), Sui Northern Gas Pipeline Limited (SNGPL) and Sui Southern Gas Company (SSGC), fraudulent practices and financial lapses were also noted.

During the audit of the Petroleum Division for the financial year 2017-18, it was observed that the DG Gas did not realize GIDC amounting to Rs 66.6 billion from M/s Mari Petroleum Company Limited (MPCL) in respect of gas sold to fertilizer sector, M/s PPL, and Rs 15.1 billion from M/s SSGC on the plea that the amount was not received from consumers due to stay orders from Sindh High Court.

The companies took the plea that the amount was not received from the buyers due to circular debt. This resulted in non-realization of GIDC amounting to Rs 81.8 billion (Rs 66.6 billion and Rs 15.1 billion including the accrued markup).

The audit stated that the failure of Petroleum Division to determine government's due collection and advise OGRA to notify realistic gas prices as well to pursue court cases resulted in non-recovery of GIDC amounting to Rs 81.8 billion.

The audit directed the Petroleum Division to pursue the court cases vigorously and implement the Section 3 (2&3) of GIDC Act 2015 and recommended that the company may be asked to deposit GIDC in proportion to the recovered amount from customers along with resolution of circular debt issue at the earliest.

Section 3 of the GIDC Act 2015 states every company is required to collect and pay cess at the rate specified in the second schedule in respect of gas sold by it during a calendar month within two months of the close of that month. A mark up at the rate of 4 percent plus KIBOR shall also be payable if the due amount is not paid within due date under sub-section (3).

Pakistan Petroleum Limited did not pay mark-up on the late payment of GIDC.

In a separate audit para, it was noted that GIDC, Gas Development Surcharge (GDS) and Petroleum Levy must be deposited under different accounts - "new head" and "B-Tax Revenue" respectively. However, the audit of financial year 2017-18 reveals that the division failed to realize the receipts under new heads.