



**AUDIT REPORT
ON
THE ACCOUNTS OF
DISTRICT GOVERNMENT
TANK**

AUDIT YEAR 2017-18

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

| | |
|-----------|---|
| AA | Administrative Approval |
| AIR | Audit and Inspection Report |
| AOM&R | Annual Ordinary Maintenance and Repair |
| AASHTO | American Association of State Highway and Transportation Officials |
| BOQ | Bill of Quantity |
| CA | Conveyance Allowance |
| CPWA Code | Central Public Works Account Code |
| CPWD Code | Central Public Works Department Code |
| C&W | Communication and Works |
| DAC | Departmental Accounts Committee |
| DAC | District Accounts Committee |
| DHO | District Health Officer |
| GFR | General Financial Rules |
| HRA | House Rent Allowance |
| LGA | Local Government Act |
| MCC | Medical Coordination Cell |
| MFDAC | Memorandum for Departmental Accounts Committee |
| PAC | Public Accounts Committee |
| PC-I | Planning Commission One |
| PCC | Plain Cement Concrete |
| PHE | Public Health Engineering |
| RCC | Reinforced Concrete Cement |
| RDA | Regional Directorate of Audit |
| RHC | Rural Health Center |
| TS | Technical Sanction |
| XEN | Executive Engineer |

Preface

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections-8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section-37 of Khyber Pakhtunkhwa Local Government Act 2013 require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of District Fund and Public Account of District Governments.

The report is based on audit of the accounts of various offices of District Government, Tank for the financial year 2016-17. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2017 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of the audit report includes the systemic issues and significant audit findings. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The audit observations listed in the Annexure-1 shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the audit observation will be brought to the notice of District Accounts Committee through the next year's Audit Report.

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

The observations included in this Report have been finalized in the light of written replies of the departments, however in some observations department did not submit written replies. DAC meetings were not convened despite repeated requests.

The Audit Report is submitted to the Governor, Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 37 of Khyber Pakhtunkhwa Local Government Act, 2013, for laying before appropriate legislative forum.

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Director General Audit District Governments, Khyber Pakhtunkhwa carries out the audit of twenty five District Governments. Regional Directorate of Audit D.I.Khan, on behalf of the Director General Audit, District Governments, Khyber Pakhtunkhwa carried out the audit of two District Governments namely D.I.Khan and Tank.

This Regional Directorate has a human resource of seven officers and staff, with a total of 1750 man-days. The annual budget amounting to Rs 9.439 million was allocated to the office during financial year 2016-17. The office is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programs/ projects.

District Government, Tank conducts its operations under Khyber Pakhtunkhwa Local Government Act 2013. It comprises one Principal Accounting Officer (PAO) covering eighteen groups of offices as mentioned in Chapter –1 of this report. Financial provisions of the Act describe the Government fund as District Local Fund and District Public Account for which Annual Budget Statement is authorized by the District Council in the form of budgetary grants.

a. Scope of audit

There are eighteen departments in District Tank out of which the accounts of four departments were examined in detail. These departments were selected for detailed audit by excluding the last year audited entities keeping in view the available man days.

The total expenditure of District Government Tank for the Financial Year 2016-17 was Rs 1949.489 million. Out of this, RDA D.I.Khan audited an expenditure of Rs 721.310 million which, in terms of percentage, was 37% of auditable expenditure.

The receipts of District Government Tank, for the Financial Year 2016-17, were Rs 1231.510 million. Out of this, RDA D.I.Khan audited receipts of Rs 147.78 million which, in terms of percentage, was 12% of auditable receipts.

b. Recoveries at the instance of audit

Recovery of Rs 8.94 million was pointed out during the audit. Out of the total recoveries pointed out, Rs 0.996 million was not in the notice of the executive before audit. However no recovery was made till the finalization of this report.

c. Audit Methodology

Audit was conducted after understanding the business processes of District Government Tank with respect to their functions, control structure and key controls. This helped auditors in understanding the systems, procedures, environment of the audited entity before starting the audit. Audit used desk audit techniques for analysis of compiled data and review of actual vouchers called for scrutiny and substantive testing.

d. Audit Impact

Audit pointed out various irregularities of serious nature. Cases related to weak internal were also pointed out to which management has been sensitized. In certain cases management has taken action which may further be verified. However, no impact was visible as the management failed to reply and the irregularities could not come to the light in the proper forum i.e. DAC.

e. Comments on Internal Control and Internal Audit department

The purpose of internal control system is to ensure effective operation of an organization. It consists of measures employed by the management to achieve objectives, safeguard assets; ensure accuracy, timeliness and reliability of financial and accounting information for decision making.

Another basic component of internal control, as envisaged under section 37(4) of LGA 2013, is internal audit which was not found in place in the domain of District Government.

f. Key audit findings of the report;

- i. Irregularities & Non-compliance of Rs 66.86 were noticed in twelve cases. ¹
- ii. Internal Control Weaknesses of Rs 7.928 million were noted in three cases. ²

¹ 1.2.1.1 to 1.2.1.12

g. Recommendations

- i. Inquiries need to be held to fix responsibility for losses, over and irregular payments.
- ii. Corrective actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- iii. Strenuous efforts need to be made by the departments to recover penalties and taxes.
- iv. Departments need to strengthen internal controls mechanisms to ensure that lapses of the kind reported in this audit report are preempted and fair value for money is obtained from public spending.

² 1.2.2.1 to 1.2.2.3

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

| S.No | Description | No. | Budget | | |
|------|---|-----|-------------|-----------|-----------|
| | | | Expenditure | Receipts | Total |
| 1 | Total Entities (PAOs) in Audit Jurisdiction | 01 | 1,949.489 | 1,231.510 | 3,180.999 |
| 2 | Total formations in audit jurisdiction | 18 | 1,949.489 | 1,231.510 | 3,180.999 |
| 3 | Total Entities(PAOs) Audited | 01 | 1,949.489 | 1,231.510 | 3,180.999 |
| 4 | Total formations Audited | 04 | 721.310 | 147.780 | 861.090 |
| 5 | Audit & Inspection Reports | 04 | 721.310 | 147.780 | 861.090 |

II: Audit observations Classified by Categories

(Rs in million)

| S. No. | Description | Amount Placed under Audit Observation |
|--------------|---|---------------------------------------|
| 1 | Unsound asset management | 0 |
| 2 | Weak financial management | 41.97 |
| 3 | Weak Internal controls relating to financial management | 7.928 |
| 4 | Others | 24.89 |
| Total | | 74.788 |

III: Outcome Statistics

(Rs in million)

| S.No. | Description | Expenditure on Acquiring Physical Assets (Procurement) | Civil Works | Receipts | Others | Total Current year 2016-17 | Total last year 2015-16 |
|-------|---|--|-------------|----------|---------|----------------------------|-------------------------|
| 1 | Outlays Audited | - | 98.323 | 147.780 | 614.987 | 861.090 | 439.612 |
| 2 | Amount Placed under Audit Observations /Irregularities of Audit | - | 49.900 | - | 24.890 | 74.788 | 124.013 |
| 3 | Recoveries Pointed Out at the instance of Audit | - | 2.950 | - | 5.990 | 8.940 | 19.747 |
| 4 | Recoveries Accepted /Established at the instance of Audit | - | - | - | - | - | - |
| 5. | Recoveries Realized at the instance of Audit | - | - | - | - | - | - |

IV: Table of Irregularities pointed out

(Rs in million)

| S. No. | Description | Amount Placed under Audit Observation |
|--------------|--|---------------------------------------|
| 1 | Violation of Rules and regulations, principle of propriety and probity in public operation | 64.425 |
| 2 | Reported cases of fraud, embezzlement, thefts and misuse of public resources | - |
| 3 | Accounting Errors (accounting policy departure from NAM ³ , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements. | - |
| 4 | Quantification of weaknesses of internal control systems. | 18.475 |
| 5 | Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies | - |
| 6 | Non-production of record | - |
| 7 | Others, including cases of accidents, negligence etc. | 24.890 |
| Total | | 74.788 |

V: Cost Benefit Ratio

(Rs in million)

| S.No. | Description | Amount |
|-------|--|---------|
| 1 | Outlays Audited (item 1 of Table 3) | 861.090 |
| 2 | Expenditure on audit | 9.439 |
| 3 | Recoveries realized at the instance of audit | 0 |
| | Cost-Benefit Ratio | 1:0 |

³ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS(Cash).

CHAPTER 1

1.1 District Government Tank

1.1.1 Introduction

Activities of District Government are managed through offices of Deputy Commissioner and District Officers under Khyber Pakhtunkhwa Local Government Act 2013 (LGA 2013). Each group of District Offices consists of District Officer (DO). The DO by means of a standing order distributes the work among the officers, branches, and/or sections of each district office. The offices which manage the activities of District Government are Deputy Commissioner (DC), XEN C&W, XEN Public Health, District Officers Agriculture, Education, Health, Water Management, Fisheries, Population Welfare, LG & RDD, Sports, , Live Stock & DD, Soil Conservation, Cooperation, Social Welfare, Public Transport and Municipal Services.

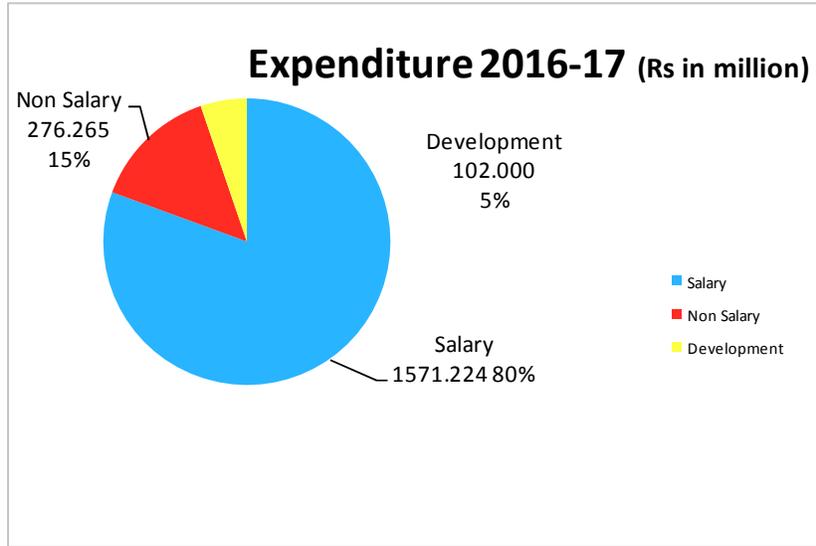
1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

| 2016-17 | Budget | Expenditure | Saving/Excess | %age Excess/Saving |
|--------------------|------------------|------------------|------------------|-----------------------|
| Salary | 1,572.841 | 1,571.224 | (16.170) | 10.284 |
| Non-salary | 279.325 | 276.265 | (3.060) | 1.107 |
| Developmental | 102.843 | 102.000 | (0.843) | 0.826 |
| Total | 1,955.009 | 1,949.489 | (20.073) | 12.217 |
| Receipts | 1,375.436 | 1,231.510 | (143.926) | 11.686 |
| Grand Total | 3,330.445 | 3,180.999 | (163.999) | 23.903 |

The savings of Rs 163.999 million in all head of accounts indicate inefficiency in the capacity of these local institutions to utilize the amount allocated.

1.1.



m

ments on the status of compliance with DAC / PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Details of PAC/DAC meetings are given below:

| Sr. No. | Audit Year | PAC/DAC meeting convened /Not convened |
|---------|------------|--|
| 1. | 2002-03 | Not Convened |
| 2. | 2003-04 | Not Convened |
| 3. | 2005-06 | Not Convened |
| 4. | 2006-07 | Not Convened |
| 5. | 2007-08 | Not Convened |
| 6. | 2008-09 | Not Convened |
| 7. | 2009-10 | Not Convened |
| 8. | 2010-11 | Not Convened |
| 9. | 2011-12 | Not Convened |
| 10. | 2012-13 | Not Convened |
| 11. | 2013-14 | Not Convened |
| 12. | 2016-17 | Not Convened |

1.2 AUDIT PARAS

1.2.1 Irregularities and Non Compliance

1.2.1.1 Unauthorized payments due to non-obtaining technical sanction- Rs 25.923 million

According to Para 56 of CPWA code, individual work proposed to be carried out except petty repairs; a properly detailed cost estimate must be prepared for technical sanction of competent authority and must be obtained before the construction of the work is commenced.

XEN C&W Tank executed various developmental schemes during 2016-17 but technical sanction was not yet obtained from the competent authority as per detail given below.

| S.No. | Vr. No & date | Schemes | Amount (Rs) |
|--------------|-------------------|---|-------------------|
| 1. | 139-E dt 21-06-17 | Construction of GGPS Malik Israil Koorona | 7,456,071 |
| 2. | 138-E dt 12-06-17 | Construction of GGHS No.2 Tank. | 3,361,312 |
| 3. | 119-E dt 20-06-17 | Repair of DHQ Hospital Tank. | 4,936,038 |
| 4. | 102-E dt 19-06-17 | Construction of road Bazai to Kot Ghulam. | 10,170,235 |
| Total | | | 25,923,656 |

Unauthorized payment was made in violation of rules regarding ascertaining the estimate of actual quantities to be executed during the work based on engineering specifications and schedule of rates.

When reported in October 2017, management stated that the detailed reply will be given after consultation of record.

Audit observed unauthorized expenditure occurred due to non-compliance of rules.

Request for convening DAC meeting was made on 25.10.2017. DAC meeting could not be convened till finalization of this Report.

Audit suggests inquiry by the competent authority into the actual quantities required to be executed and action against the person (s) at fault.

AIR Para No.03 (2016-17)

**1.2.1.2 Irregular expenditure on account of purchase of medicines-
Rs.8.974 million**

S.No 2 (a) of Second Schedule of Delegation of financial Power 2001 requires that all District Officers being category II officer is empowered to incur expenditure of Rs.50,000 for purchase of indigenous stores other than stationery at a time for each items

District Health Officer, Tank issued supply orders of Rs.8,974,754 to MCC approved firms for supply of medicines during 2016-17. The sanction for purchase of medicines was granted by the DHO who was competent to accord the sanction up to Rs.50,000 only. Detail is given in Annex-2.

The medicines purchased were also not entered in the main stock register of medicine till the date of audit.

Audit observed that loss to Govt occurred due to non-compliance of rules.

When reported in August 2017, Management stated that detailed reply will be given after consultation of record.

Request for convening DAC meeting was made on 11.08.2017. DAC meeting could not be convened till finalization of this Report in December, 2017.

Audit suggests inquiry and action against the person(s) at fault

AIR Para No.01 (2016-17)

**1.2.1.3 Irregular payment on account of purchase of medicine-
Rs.6.870 million**

According to Government of KPK MCC letter No. 880955/MCC dated 12th March 2016, the Drug Analyst of the Drug Testing Laboratory Peshawar had declared the intravenous infusions of a supplier substandard on the basis of pyrogen, non-sterile and fungal growth etc. All the health institutions were therefore directed to send the samples of the items so purchased to Government Drug Testing Laboratory Peshawar before issuing to the patients. Moreover as per instructions of Medicine Coordination Committee (MCC), no payment shall be made to the suppliers unless samples of medicines are cleared from Government drug testing laboratory (DTL).

District Health Officer, Tank paid Rs. 6,870,002 to suppliers on account of purchase of medicine and surgical equipment during 2016-17 without conducting test and clearance of medicine samples from Government Drug Testing Laboratory (DTL). Detail is given in Annex-3.

Audit observed that loss to Govt occurred due to non-compliance of rules.

When reported in August 2017, Management stated that detailed reply will be given after consultation of record.

Request for convening DAC meeting was made on 11.08.2017. DAC meeting could not be convened till finalization of this Report in December, 2017.

Audit stresses upon inquiry and action against the person(s) at fault.

AIR Para No.02 (2016-17)

1.2.1.4 Irregular issuance of Seeds to Farmers-Rs.3.60 million

According to Para-148 of GFR Vol-I, all material received should be examined, counted, measured, weighed as the case may be, when delivery is taken, and a responsible government officer who should see that the quantities are correct and their quality is good, and record a certificate that he has actually received the materials and recorded them in a appropriate stock register.

District Director Agriculture, Tank purchased seeds of Rs.3,599,780 from Model Farm Services Centre, Tank during 2015-16. It was noticed that the seeds were issued from Main Stock Register to Field Workers for onward issuance to farmers for Demonstration Plots but neither Sub-Stock Registers showing issuance of seeds to farmers by the Field Workers were produced nor the acknowledgment of receipt of seeds by the farmers were available on record.

Audit observed that loss to Govt occurred due to non-compliance of rules.

When reported in May 2017, Management stated that detailed reply will be given after consultation of record.

Request for convening DAC meeting was made on 11.05.2017. DAC meeting could not be convened till finalization of this Report.

Audit stresses upon inquiry and action against the person(s) at fault.

AIR Para No.01 (2015-16)

1.2.1.5 Irregular expenditure on purchase of medicines-Rs 2.700 million

The Government of KPK Health Department MCC vide endorsement No.2906-09/MCC dated 6-10 2016 had issued a list and directed to procure medicines, chemicals etc. from the pre-qualified dealers of MCC.

DHO Tank purchased medicines for Rs.2,700,926 from local market instead of MCC approved firms as required under the Health Department Notification. Detail is given in Annex-4.

Audit observed that loss to Govt occurred due to non-compliance of rules.

When reported in August 2017, Management stated that detailed reply will be given after consultation of record.

Request for convening DAC meeting was made on 11.08.2017. DAC meeting could not be convened till finalization of this Report in December, 2017.

Audit stresses upon inquiry and action against the person(s) at fault

AIR Para No.06 (2016-17)

1.2.1.6 Unauthorized expenditure on M&R Work-Rs.2.70 million

According to rule at S.No.21.1 (b) of Third Schedule of Delegation of Powers Rules, 2001 ordinary and special repair of office buildings requires the approval of Zilla Council.

XEN PHE, Tank paid Rs.2,720,000 to Stately Engineering Co. on repair & maintenance of various water supply schemes during 2016-17 without obtaining approval of Zilla Council.

Audit observed that un-authorized expenditure occurred due to non-compliance of rules.

When reported in November 2017, Management stated that detailed reply will be given after scrutiny of record.

Request for convening DAC meeting was made on 22.11.2017. DAC meeting could not be convened till finalization of this Report.

Audit recommends inquiry and action against the person(s) at fault

AIR Para No.04 (2016-17)

1.2.1.7 Un-authorized expenditure on installation of Pressure & Hand Pumps-Rs.2.359 million

According to Para 10 (iii) & (iv) of GFR, no authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage & Public moneys should not be utilized for the benefit of a particular person or section of the community.

XEN PHE, Tank incurred Rs.2,359,648 on installation of Pressure Pumps & Hand Pumps during 2016-17 but the same were installed in the homes of individuals instead of general community of the area. Moreover, according to PC-I of said schemes, the community will be responsible for operation & maintenance of Pressure Pumps but no such handing/taking over was made with the community and thus drinking problem of the local area has been ignored due to installation of same in the homes of individuals. Detail is as under.

| S.No. | Name of Scheme | No. of Pressure/ Hand Pumps | Vr. No. Date | Expenditure (Rs.) |
|--------------|---|-----------------------------|-----------------------------|-------------------|
| 1. | Pressure Pump at Nasran Koroona in UC Ama Khel. | 01 | Vr.No.7/TK dated 20-06-2017 | 509,000 |
| 2. | Pressure Pump in Tajori UC Pai. | 01 | Vr.No.5/TK dated 09-02-2017 | 255,000 |
| 3. | Submersible Pump in Gara Azami | 01 | Vr.No.1/TK dated 06-04-2017 | 1,070,000 |
| 4. | Hand Pumps in village Muhammad Akbar at UC Pai. | 04 | Vr.No.03/TK dated 12-6-2017 | 525,648 |
| Total | | | | 2,359,648 |

Audit observed that un-authorized expenditure occurred due to non-compliance of rules.

When reported in November 2017, Management stated that detailed reply will be given after scrutiny of record.

Request for convening DAC meeting was made on 22.11.2017. DAC meeting could not be convened till finalization of this Report.

Audit stresses upon inquiry and action against the person(s) at fault

1.2.1.8 Irregular expenditure on account of external electrification-Rs.1.768 million

According to Para 56 of CPWA code, individual work proposed to be carried out except petty repairs; a properly detailed cost estimate must be prepared for technical sanction of competent authority and must be obtained before the construction of the work is commenced.

XEN C&W Division Tank paid Rs.1,768,394 in lump sum to PESCO for external electrification without any technically approved detailed cost estimate during 2016-17. Detail is given below.

| S.No. | Scheme | Amount (Rs) |
|--------------|---|------------------|
| 1. | Constt of additional rooms in DFC office | 368,339 |
| | | 17,080 |
| 2. | GMPS Ranawal | 505,991 |
| 3. | Constt of services delivery Centre Tank | 375,773 |
| 4. | Constt of services delivery Centre Dabara | 303,165 |
| 5. | DHQ Hospital RHC Hospital | 198,046 |
| Total | | 1,768,394 |

Audit observed that loss to Govt occurred due to non-compliance of rules.

When reported in October 2017, Management stated that the detailed reply will be given after consultation of record.

Request for convening DAC meeting was made on 25.10.2017. DAC meeting could not be convened till finalization of this Report.

Audit stresses upon inquiry and action against the person(s) at fault.

AIR Para No.12 (2016-17)

1.2.1.9 Unauthorized expenditure on account of house rent and conveyance allowance-Rs.1.257 million.

According to provision of allotment of Residential Accommodation Rules 1980 as amended in 1992, Govt. servants having designated accommodation are

not entitled to house rent allowance. The DDO shall be personally responsible for deduction of rent from the pay bills of Civil Servants.

Scrutiny the accounts record of District Health Officer Tank for 2016-17, it was observed that various Doctors drawing house rent allowance and conveyance allowance regularly despite of presence of designated government accommodations in the premises of Basic Health Unit (BHU) and Rural Health Center (RHC), due to which Government treasury sustained a loss of Rs.1,257,115. Detail is given at Annex-5.

Audit observed that unauthorized expenditure occurred due to non-compliance of rules which resulted in loss to Government.

When reported in August 2017, Management stated that detailed reply will be given after consultation of record.

Request for convening DAC meeting was made on 11.08.2017. DAC meeting could not be convened till finalization of this Report in December, 2017.

Audit stresses upon recovery and action against the person(s) at fault

AIR Para No.07 (2016-17)

1.2.1.10 Overpayment due to applying inadmissible item rate-Rs.966,832.

According to Para 220 and 221 of CPWA Code, Sub Divisional Officer, before making payments to contractor, is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

XEN PHE, Tank paid @ Rs.23,450/M for an item of work ” Boring for T/Well in shingle, gravel & rock exceeding 200” below ground level 20”-26” i/d” to M/S Sabir Khan Bhattani in a scheme “ WSS Feroz Khel Umer Khan Killa” whereas in approved BOQ & Work Order , an item “Rotary drilling except in shingle gravel & rock exceeding 250’ below ground 5”-18” i/d 20”-26” i/d” @ Rs.9,456.20/M was required to be executed. Due to applying Non-BOQ item, overpayment of Rs.966,832 was made to contractor as worked out below.

| Name of Item Executed | Name of Item applicable | Rate Paid (Rs./M) | Rate Applicable (Rs./M) | Difference (Rs./M) | Quantity Executed (M) | Over payment (Rs.) |
|---|---|-------------------|-------------------------|--------------------|-----------------------|--------------------|
| Boring for T/Well in shingle, gravel, & rock exceeding 200' below ground level 12"-18" i/d. | Rotary drilling except in shingle gravel & rock exceeding 250' below ground 5"-18" i/d. | 23,450 | 9,456.20 | 13,993.80 | 69.09 | 966,832 |

When reported in November 2017, Management stated that detailed reply will be given after scrutiny of record.

Request for convening DAC meeting was made on 22.11.2017. DAC meeting could not be convened till finalization of this Report.

Audit stresses upon recovery of overpayment and action against the person(s) at fault

AIR Para No.03 (2016-17)

1.2.1.11 Overpayment due to excess drilling-Rs. 1.001 million

According to Para 220 and 221 of CPWA Code, Sub Divisional Officer, before making payments to contractor, is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

XEN PHE, Tank paid Rs 1,437,812 to M/s Stately Engineering on account of drilling for a work "WSS Khawaja Koroona Shaikh Uttar" during 2016-17. It was observed that water level was at 91.44 meters (300 ft) as per PC-I but payment was made for 203.9 meter (669 ft) of drilling and thus resulting overpayment of Rs 1,001,467 as per detail given below.

| Drilling Made (Meter) | Drilling admissible as per PC-I (Meter) | Difference (Meter) | Overpayment (Rs.) |
|-----------------------|---|--------------------|-------------------|
| 203.9 | 91.44 | 112.46 | 1,001,467 |

When reported in November 2017, Management stated that detailed reply will be given after scrutiny of record.

Request for convening DAC meeting was made on 22.11.2017. DAC meeting could not be convened till finalization of this Report.

Audit stresses upon recovery of overpayment and action against the person(s) at fault

AIR Para No.02 (2016-17)

1.2.1.12 Loss to Govt -Rs.1.408 million

As per Rule No. 18 (c) (v)(d) of KPPRA procurement rules 2014 requires that there may be more than one variation order as long as the total value of all the variation orders remain within 15% of the original contract.

According to Para 220 and 221 of CPWA Code, Sub Divisional Officer, before making payments to contractor, is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

XEN C&W Division Tank overpaid Rs.1,408,991 during 2016-17 as per detail given

- i) The excess expenditure of Rs.961,529 over and above the Bid Cost in following schemes.

| S.No. | Scheme | Vr No & Date | Approved Cost (Rs) | Payment made (Rs) | Over Payment (Rs) | %age |
|--------------|---|--|--------------------|-------------------|-------------------|-------|
| 1. | Constt of boundary wall around grave yard | 120 E 20-6-17 4 th bill | 1,989,260 | 2,295,092 | 305,832 | 15.30 |
| 2. | Constt of additional rooms for DFC office | 136 E 21-6- 17 th bill* | 2,620,092 | 3,066,640 | 446,548 | 17.04 |
| Total | | | | | 961,529 | |

ii) In execution of scheme “Construction of residences and bachelor hostel in Tank” vide Vr No.109 E dated 19-6-17, an item of work of sand filling under floor was paid for quantity of 497.18M3 @Rs 900 for Rs.447,462 while available earth for a quantity of 823.37 M3 from excavation at site was not utilized.

Audit observed that overpayment occurred due to non-compliance of rules which resulted in loss to Government.

When reported in October 2017, Management stated that the detailed reply will be given after consultation of record.

Request for convening DAC meeting was made on 25.10.2017. DAC meeting could not be convened till finalization of this Report.

Audit recommends recovery and action against the person(s) at fault.

AIR Para No.08 & 10 (2016-17)

1.2.2 Internal Control Weaknesses

1.2.2.1 Non imposition of penalty due to late completion-Rs 6.00 million

As per Clause-2 of the Contract Agreement, the contractor shall pay compensation amount equal to 1% of the estimated cost for every day that work remains incomplete and the entire amount of compensation shall not exceed 10% of estimated cost.

XEN C&W Tank awarded work construction of Road Chesan Kach Bazai Kot Gullan with a completion time of 18 months vide work order dated 1-6-2015 with estimated cost of Rs.59,999,999. The work was still in progress up to 30-6-2017 and penalty of Rs.5,999,999 was not recovered from the contractor.

Audit observed that non recovery of penalty occurred due to weak internal control which resulted into loss to Government.

When reported in October 2017, management stated that the detailed reply will be given after consultation of record.

Request for convening DAC meeting was made on 25.10.2017. DAC meeting could not be convened till finalization of this Report.

Audit stresses upon recovery of penalty and action against the person(s) at fault.

AIR Para No.04 (2016-17)

1.2.2.2 Fraudulent drawl of funds due to non-execution of work-Rs.1.005 million

According to Para 208 of CPWA Code Payments for all work done otherwise than by daily labour and for all supplies, are made to the suppliers/contractors on the basis of measurements recorded in measurement books.

XEN C&W Division, Tank executed a scheme “improvement of security mechanism for judicial lock up Tank” vide Vr. No.101-E dated 19-06-17 for

Rs.1,005,761, it was observed that measurement book of the said work was not maintained and payment seemed to be made in advance without execution of work at site.

Audit observed that doubtful expenditure occurred due to non-compliance of rules which resulted in loss to Government.

When reported in October 2017, Management stated that the detailed reply will be given after consultation of record.

Request for convening DAC meeting was made on 25.10.2017. DAC meeting could not be convened till finalization of this Report in December, 2017.

Audit recommends inquiry and action against the person(s) at fault.

AIR Para No.11 (2016-17)

1.2.2.3 Uneconomical expenditure-Rs 486,600.

Para 144 of GFR Vol-I requires the Open Tender System, i.e. Invitation to tenders by public advertisement should be used as a general rule to obtain economical rates.

District Health Officer Tank incurred expenditure of Rs 486,600 on account of purchase of various store items without calling any quotations or adopting open tender system during 2016-17. Moreover, the items so purchased were not taken on stock register. Detail is as under.

| S.No. | Name of Items | Date of purchases | Amount (Rs) |
|--------------|---------------|-------------------|----------------|
| 1. | Refrigerator | 14-06-2017 | 149,600 |
| 2. | Stabilizer | 14-06-2017 | 52,800 |
| 3. | Office table | 14-06-2017 | 39,600 |
| 4. | Laptop | 13-06-2017 | 95,000 |
| 5. | Refrigerators | 13-06-2017 | 149,600 |
| Total | | | 486,600 |

Audit observed that uneconomical expenditure occurred due to non-compliance of rules.

When reported in August 2017, Management stated that detailed reply will be given after consultation of record.

Request for convening of DAC meeting was made on 11.08.2017. DAC meeting could not be convened till finalization of this Report in December, 2017.

Audit recommends inquiry and action against the person(s) at fault

AIR Para No.03 (2016-17)

ANNEXURES

Annex-1

Detail of MFDAC Paras

(Rs in million)

| S.No | AIR. No. | Name of Department | Gist of Para | Amount |
|-------------|-----------------|---------------------------|--|---------------|
| 1. | 04 | DHO Tank | Wasteful expenditure on POL | 0.350 |
| 2. | 08 | DHO Tank | Non deduction of GP Fund | 0.247 |
| 3. | 02 | XEN C&W Tank | Unauthorized expenditure | 0.120 |
| 4. | 05 | XEN C&W Tank | Unauthorized expenditure | 0.150 |
| 5. | 06 | XEN C&W Tank | Unauthorized expenditure due to non-conducting laboratory test | 7.759 |
| 6. | 13 | XEN C&W Tank | Overpayment | 0.087 |
| 7. | 05 | XEN PHE Tank | Loss due to less-recovery of old material | 0.344 |
| 8. | 06 | XEN PHE Tank | Non-deposit of old material | 0.361 |

Annex-2
Para No. 1.2.1.2

Statement showing detail of Irregular purchase of medicine

| S. No. | Name of Firm | Cost of Medicines (Rs.) |
|---------------|------------------------|------------------------------------|
| 1. | Sami Pharmaceutical | 470,884 |
| 2. | Wyeth Pak Ltd | 117,240 |
| 3. | Heal Pharmaceutical | 516,500 |
| 4. | Stanely Pharmaceutical | 678,000 |
| 5. | Stanely Pharmaceutical | 497,000 |
| 6. | Stanely Pharmaceutical | 999,999 |
| 7. | Zafa Pharmaceutical | 851,520 |
| 8. | Saffron Pharmaceutical | 446,000 |
| 9. | Macher Ltd | 1,234,000 |
| 10. | Rock Pharmaceutical | 1,000,128 |
| 11. | GSK Karachi | 2,163,483 |
| | | 8,974,754 |

Annex-3
Para No. 1.2.1.4

Statement showing detail of Irregular purchase of medicine

| S.No. | Name of firm | Month of Supply Orders | Payment made to Supplier (Rs.) |
|--------------|----------------------|-------------------------------|---------------------------------------|
| 2. | Stanely Pharmactical | 06/2016 | 678,000 |
| 3. | Stanely Pharmactical | 06/2016 | 497,000 |
| 4. | Stanely Pharmactical | 06/2016 | 999,999 |
| 5. | Zafa Pharmactical | 06/2016 | 851,520 |
| 6. | Saffron Pharmactical | 06/2016 | 446,000 |
| 7. | Macher Ltd | 06/2016 | 1,234,000 |
| 9. | GSK Karachi | 06/2016 | 2,163,483 |
| Total | | | 6,870,002 |

Annex-4
Para No. 1.2.1.6

Detail of Irregular expenditure on local purchase of medicines

| S. No. | Date | Supplier | Amount |
|---------------|-------------|------------------|------------------|
| 1 | 29.6.17 | Al Mayar Traders | 451,642 |
| 2 | 05.6.17 | Al Mayar Traders | 308,400 |
| 3 | 29.6.17 | SY Enterprises | 400,000 |
| 4 | 05.6.17 | SY Enterprises | 779,710 |
| 5 | 14.6.17 | Al Mayar Traders | 420,056 |
| 6 | 15.6.17 | SY Enterprises | 109,608 |
| 7 | 14.6.17 | Al Mayar Traders | 137,500 |
| 8 | 18.6.17 | Al Mayar Traders | 94,010 |
| Total | | | 2,700,926 |

Annex-5
Para No. 1.2.1.10

Statement showing unauthorized payment on HRA and CA

| S.No | Name & Personal No. | DDO code | HRA/ month | conveyance allowance/ month | Months | Total |
|--------------|--------------------------------|----------------|---------------|-----------------------------------|--------|------------------|
| 1 | Dr Humayun 00291176 | TK 6040 BHU | 2955 | 5000 | 12 | 95,460 |
| 2 | Dr Maria Zile Huma 00457607 | TK 6040 BHU | 2955 | 5000 | 10 | 79,550 |
| 3 | Dr Inaamullah 00649999 | TK 6040 BHU | 2955 | 5000 | 10 | 79,550 |
| 4 | Dr Miskatullah 00806653 | TK 6040 BHU | 2955 | 5000 | 12 | 95,460 |
| 5 | Dr Khawar Nawaz 00810894 | TK 6040 BHU | 2955 | 5000 | 12 | 95,460 |
| 6 | Dr Imran Khan 00816181 | TK 6040 BHU | 2955 | 5000 | 09 | 47,955 |
| 7 | Dr Sanatullah Khan 00816191 | TK 6040 BHU | 2955 | 5000 | 12 | 95,460 |
| 8 | Dr M Sajid 00830094 | TK 6040 BHU | 2955 | 5000 | 12 | 95,460 |
| 9 | Dr Ihsanullah 00931366 | TK 6040 BHU | 2955 | 5000 | 12 | 95,460 |
| 10 | Dr Azhar ud din 00836928 | TK 6040 BHU | 2955 | 5000 | 12 | 95,460 |
| 11 | Dr Attaullah Shah 00807531 | RHC TK 6041 | 2955 | 5000 | 12 | 95,460 |
| 12 | Dr Altaf 00831385 | RHC TK 6041 | 2955 | 5000 | 12 | 95,460 |
| 13 | Dr Abdur Rauf 00832973 | RHC TK 6041 | 2955 | 5000 | 12 | 95,460 |
| 14 | Dr Shafaatullah Khan | RHC TK 6041 | 2955 | 5000 | 12 | 95,460 |
| Total | | | | | | 1,257,115 |