



**Special Study of
Provision of I.T Labs in Secondary Schools
of
City District Gujranwala**

Audit Year 2016-17

AUDITOR GENERAL OF PAKISTAN

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Abbreviations and Acronyms

DCO	District Coordination Officer
EDO	Executive District Officer
EFA	Education for All
ESR	Education Sector Reforms
ICT	Information Communication Technology
MIS	Management Information System
MOU	Memorandum of Understanding
NGOs	Non-Government Organizations
NPA	National Plan of Action
PEC	Punjab Examination Commission
PLGO	Punjab Local Government Ordinance
PMU	Project Management Unit
PPRA	Punjab Procurement Regulatory Authority
TOR	Terms of Reference
UC	Union Council

PREFACE

The Auditor General of Pakistan conducts audit under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General’s (Function, Powers and Terms and Conditions of Service) Ordinance 2001 and Section 115 of the Punjab Local Government Ordinance 2001. The special study of “Provision of IT Labs in Secondary Schools of City District Gujranwala” was carried out accordingly.

The Directorate General Audit, District Governments Punjab (North) Lahore conducted special study of the project “Provision of IT Labs in Secondary Schools of City District Gujranwala” during April – May, 2017 for the period 2014-15 and 2015-16 with a view to reporting significant findings to the stakeholders. Audit examined economy, efficiency and effectiveness aspects of the project. In addition, Audit also assessed, on test check basis whether the management complied with applicable laws, rules and regulations in implementing the project. The Study indicates specific actions that, if taken, will help the management realize the objectives of the project.

The observations included in this report have been finalized after discussion of Audit paras with the management. However, no Departmental Accounts Committee meeting was convened despite repeated requests.

The Report is submitted to the Governor of the Punjab in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, to cause it to be laid before the Provincial Assembly of Punjab.

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

Director General of Audit, District Governments Punjab (North), Lahore conducted Special Study of “Provision of IT Labs in Secondary Schools of District Gujranwala” in April 2017. The main objectives of the study were to ensure that the funds allocated for the project were utilized in an economical, efficient and effective manner. The study was conducted in accordance with the INTOSAI Auditing Standards.

Education is the most important factor which plays a leading role in human resource development. Only educated workforce equipped with modern skills can compete and benefit from the opportunities created by globalization.

The purpose of this Study was to review whether the activities of Education Department were managed efficiently and to evaluate the performance with respect to the resources allocated for these activities. The aim was also to study, if adequate internal controls system was available to take remedial actions for imparting computer literacy to the students.

The significant findings of the Special Study on Provision of IT Labs in Secondary Schools of District Gujranwala are given below:

- i. Management made purchases of computer & and its accessories without approval of the scheme / PC-I
- ii. Delay in Purchase of UPS resulting in loss to the Government – Rs 2.287 million
- iii. Many IT Labs of schools were non-functional due to non-posting /availability of IT teacher.
- iv. Scrutiny of last three years result of Board of Secondary Education, Gujranwala revealed that the passing percentage is reducing after implementation of provision of IT Labs in secondary schools.
- v. Department purchased Core I-7 Computers for IT Labs in schools. Audit is of the view that in schools labs only initial level practical training is being given and Core I-7 computers for this work is unjustified.
- vi. Fake drawal of funds of Rs1.600 million.
- vii. Non-deduction of income tax of Rs 4.926 million at source due to poor Financial Management.

- viii. Uneconomical purchase of UPS without Competition - Rs2.290 million.
- ix. Irregular purchase of Computers due to rejection of seven bidders without any cogent reasons - Rs 29.12 million.
- x. Poor Asset Management resulting in Non traceable Whereabouts of Old Computers.
- xi. Purchase of IT equipment without fulfilling codal formalities - Rs115.483 million.
- xii. Non-evaluation/Monitoring of IT Project Rs 115.483 million

Recommendations:

The recommendations on the significant findings are given below which may help the management for planning as well as execution of the next project:

- i. Responsibility may be fixed for non preparation of PC-I in true spirit and make efforts to avoid such irregularity in future.
- ii. Development of proper monitoring mechanism is required / emphasized to avoid inadequate delay in utilization of funds and achievement of objectives.
- iii. Targets should be set on the basis of authenticated survey and used as benchmark for evaluating the efficiency of the project.
- iv. Proper implementation of mechanism developed for incurrence of expenditure in an economical manner should be ensured.
- v. Improvement is required in inventory / assets management system.
- vi. Procurements should be made strictly in accordance with the Procurement rules to ensure transparency and economy.

1. INTRODUCTION

The establishment of IT Labs in schools was the first project of its type launched by the provincial government of Punjab. 4286 computer labs were established in public secondary schools of province Punjab in 2009 under this Project. The inclusion of IT Labs in secondary schools to enhance the computer literacy through secondary & elementary schools under the Education Sector Reforms is very important step by the Education Department.

i. Rationale of the Project

It is basic right to get education for every human being. Dakar Education Forum has recommended that information technology should be used to provide education for all. By using information technology quality of education can be enhanced and these technologies can play important role to develop economic growth. Information technologies can anticipate about economic development of a country. ICT's are accounted for as indicator of economic development and job opportunities. ICTs can helps students in every field of life. ICTs are crucial in terms of lifelong learning, an enormous challenge for educators awaits since they are supposed to equip students with relevant and high quality ICT experience before students emerge into the workplace.

ii. Summary of Financial Results Year wise

Financial Year	Name of Scheme	No. of schemes	Funds Released (Rs in million)	Expenditure (Rs in million)
2014-15	Replacement of existing computer labs in Secondary Schools Provided by Federal Govt	19	16.573	16.573
	Provision of IT Labs in Secondary Schools	59	66.688	66.688
	Provision of IT Labs in Elementary Schools	21	9.000	8.988
2015-16	Provision of IT Labs in Secondary Schools	20	23.234	23.234
Total		119	115.495	115.483

2. AUDIT OBJECTIVES

The major objectives of the special study were to:

- i. Review compliance with applicable rules, regulations and procedures.
- ii. To evaluate procurement procedure adopted in major purchases of I.T equipments
- iii. Comment on the total students to whom the computer training was provided.
- iv. To evaluate the monitoring mechanism in place for establishment of IT Labs.

3. AUDIT SCOPE AND METHODOLOGY

The scope of Special Study was to examine the performance of the executive during planning, execution and implementation of “Provision of IT Labs in secondary schools in District Gujranwala” and to comment on activities performed to attain the project objectives.

The special study was conducted keeping in view the rules and regulations framed by the Provincial Government from time to time. The following audit methodology was adopted for special study.

- Collection and study of preliminary documents like Work Plan, progress reports.
- Physical verification of 20% IT Labs of schools in District Gujranwala was conducted
- Obtained data regarding target and actual number of IT Labs established.
- Obtained data regarding the funds received and expenditure incurred thereon for the entire period of the project.

4. AUDIT FINDINGS & RECOMMENDATIONS

4.1 Organization and Management

4.1.1 Improper Planning in execution of development scheme – Rs 115.496 million

Rule 34(2) of PDG& TMA Budget Rules 2003 sets forth that the concerned office after receiving the approval by the Budget and Development Committee shall initiate the process of preparing the detailed development project proposal on Form BDD-4

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was revealed that management made purchases of computer & and its accessories without preparation of detailed development project proposal on form BDD-4 / PC-I. This resulted in unauthorized expenditure of Rs 115.496 million as detailed below:

Name of Item	Financial Year	Total (Rs in million)
Purchase of Computers, ACs & UPS etc	2014-15	75.688
-do-	2015-16	23.234
-do-	Replacement of Old Computers 2014-15	16.573
Total		115.495

Audit holds that due to poor planning, the project was executed without preparation of PC-I.

The matter was reported to the Department in May 2017. Management replied that the schemes have been Administratively Approved by DCO Gujranwala. Reply was not acceptable being evasive. No DAC meeting convened till the finalization of this report.

Audit recommends fixing responsibility for improper planning in execution of development schemes.

4.1.2 Wasteful expenditure due to non-functioning of IT Labs of school - Rs 99.2 million

The Local Govt. shall take steps to ensure that the property vested in Local Govt. is managed and maintained in the best public interest according to Rule 3 of PLG (Property) Rules, 2003.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, department incurred an expenditure of Rs 1.600 million in each school for provision of IT Labs. Many IT Labs of schools

were non-functional due to non-posting /availability of IT teacher. This resulted into wasteful expenditure of Rs 99.2 million.

Female IT Teachers	Male IT Teachers	Total IT Teachers Vacant	Cost of IT Lab per School (Rs)	Total Cost (Rs in million)
42 Vacant	20 Vacant	62 Nos.	1.6 million	99.2

Audit holds that due to negligence on part of the administration, the IT Labs remained non-functional due to non posting of IT teachers.

The matter was reported to the Department in May 2017. Management replied that SSTs (Computer Science Teachers) have been recruited against vacant posts. The reply was not acceptable as mostly IT labs remained non-functional during the period 2014-16 due to non posting of IT teachers. No DAC meeting convened till the finalization of this report.

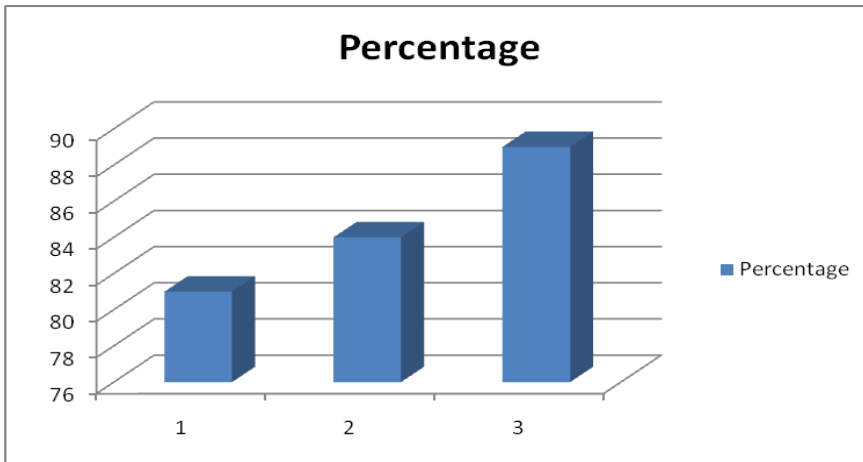
Audit recommends that the management should take concrete steps for posting of IT teachers so that the computer labs can be functional.

4.1.3 Ineffective utilization of IT Labs resulting in passing percentage

According to Rule 64 of PDG and TMA Budget Rules 2003, each local government shall efficiently and effectively manage the resources made available to the local government.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, scrutiny of last three years result of Board of Secondary Education, Gujranwala revealed that the passing percentage is reducing after implementation of provision of IT Labs in secondary schools.

Financial Year	Total Students Appeared	Students Passed	Percentage
2015	25761	20872	81
2014	20737	17316	84
2013	18562	16448	89



Audit is of the view that due to ineffective utilization of I.T equipment by school management, the declining trends in result was showed.

The matter was reported to the Department in May 2017. Management replied that District Education Officer (Secondary) has been directed to issue displeasure to the schools with poor /decreasing results. Lapse and negligence admitted by the management. No DAC meeting convened till the finalization of this report.

Audit recommends that there is need for core involvement of teachers in using new technology for skill enhancement of students.

4.1.4 Non effectiveness of Core I-7 Computes due to defective planning

According to Rule-2.33 of Punjab Financial Rules Volume-I, provided that every Government servant must realize that he will be held responsible for any loss caused to Government through negligence / fraud on his part.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was observed that department purchased Core I-7 Computers for IT Labs in schools. Audit is of the view that in schools labs, only basic computer training is given and core I-7 computers for this work is unjustified and leads to wasteful expenditure.

Audit is of the view that due to defective planning computers were purchased without having need assessment. This resulted in wasteful expenditure. These funds could be used to extend the facility in any other elementary schools.

The matter was reported to the Department in May 2017. Management replied that The Core i-7 computer is latest as well as cost effective. In 2014-15, Govt. has to replace old computers available in labs established in 2005-06. Therefore, latest computers have been procured so that the technology may not become obsolete in near future. Hence, Core i-7 computer is cost effective. One Core i-7 system is sufficient for four users with the help of N-computing device. Instead of three additional desktop computers, only 3 LEDs, 03 Computer table and 03 chairs are required. The reply was not acceptable as Core I-7 computers are more expensive and wasteful because only basic computer training is given in schools. Further N-computing device can be functional on Core I-3 and Core I-7 systems. No DAC meeting convened till the finalization of this report.

Audit recommends that resources should be utilized in accordance with the need assessment.

4.1.5 Late delivery of IT Lab Equipment and non-imposition of Penalty– Rs 172,000

As per supply orders, in case of late delivery of goods penalty @ Rs 2,000 per day for late supply shall be imposed upon the supplier.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was observed that penalty of Rs 172,000 was not charged to the suppliers on account of late delivery of goods as detailed below:

Description	Supplier	Financial Year	Late Delivery (Days)	Amount of Penalty (Rs)
Purchase of Furniture	Toyo	2014-15	15	30,000
Purchase of Furniture	Zafar	-do-	28	56,000
Purchase of UPS etc	Bhatti	-do-	10	20,000
Purchase of Furniture	Zafar	2015-16	09	18,000
Purchase of Computers	Astrontech	2014-15	24	48,000
Total				172,000

The above facts show that the management was not making serious efforts for increasing its resources by charging for late delivery.

The matter was reported to the Department in May 2017. Management replied that all the firms, delivered goods to the respective schools. Confusion arises as repeated Purchase Order was given to the firms at serial No. 1 to 4. Firm at serial No. 5 also supplied the articles well in time but failed to submit bill in time. The reply was not acceptable as all the firms delivered the whole supplies after the stipulated period and

management did not impose penalty on late delivery. No DAC meeting convened till the finalization of this report.

Audit recommends that management should take concrete steps for charging penalty of late delivery from these defaulters.

4.2 Financial Management

4.2.1 Fake drawal of funds – Rs 1.600 million

According to Rule 2.31(a) of PFR Vol-I, a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any over charges, frauds and misappropriations

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, an amount of Rs 1.6 million was drawn on account of purchase of 16 numbers Core I-7 Computers, Furniture, UPS and ACs for establishment of IT Lab of Government Girls High School, Tamboli during Financial Year 2014-15. Physical verification of the Lab was conducted by Audit Team along with Headmistress of the school which revealed that the purchased equipment were neither taken into stock nor physically existed in the school. It is worth mentioning here that inspection reports / physical verification reports of the purchased equipment were neither available on record nor shown to audit. This resulted in fake payment of development of work amounting to Rs 1.600 million.

Audit holds that due to weak internal controls the assets were misappropriated. Missing of the assets resulted in loss of government property.

The matter was reported to the Department in May 2017. Management replied that Establishment of IT Lab at GGHS Tamboli belonged to financial Year 2013-14 and was Administratively Approved on 10-02-2014 with a cost of Rs. 1.100 Million. According to the specification, received from Under Secretary (ADP) vide No. SO.(ADP)Review-418/2013-14 dated 29-1-2014, the specification of Desktop computer Processor is” INTEL (original) P-IV 2.4 GHz or Higher with built-in 512 KB 1.2 cache. FSB 800 or higher”. In fact, the process for purchase of IT lab equipment started in Financial Year 2013-14, furniture, UPS, Air conditioner were procured during Financial Year 2013-14. But the successful bidder (Computer marketing Company) could not supply the computers to the IT labs within prescribed period. Hence, Black Listed. Consequently, the process for establishment of IT Labs of Financial Year 2013-14 was completed in financial year 2014-15.

In the light of above facts, it is clear that the IT Lab at GGHS Tamboli belongs to Financial Year 2013-14 and all items were procured according to specifications provided for the establishment of IT labs 2013-14 but procurement process completed in Financial year 2014-15. The IT

Labs Items have also been taken into stock register of the school. The reply was not acceptable as during physical verification in May 2017 computers accessories were not found in said school and headmistress of the said school also certified that no computers and accessories were provided to the school management by the office of Executive District Officer (Education), Gujranwala. No DAC meeting convened till the finalization of this report.

Audit recommends that matter may be inquired at appropriate level in order to make the loss good. Moreover physical verification is required to be carried out against all the schemes executed under the program in order to determine the exact amount of fraudulent drawal.

4.2.2 Non-deduction of income tax at source – Rs 4.926 million

According to Section 153 (1) of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person, for the sale of goods shall deduct tax @ 4.5% of the gross amount payable, if the person is a filer and 6.5% if the person is a non-filer.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was noticed that income tax amounting to Rs 0.619 million was deducted against the required amount of Rs 5.546 million from the bills of the suppliers, being non-filers. This resulted in less deduction of income tax of Rs 4.926 million as detailed below:

Description	Supplier	Financial Year	Amount of Bill (Rs)	IT Deducted (Rs)	IT to be deducted (Rs)	IT Less deducted (Rs)
Purchase of Computers	Ora Tech	2014-15	53,678,650	0	2,415,539	2,415,539
Purchase of Furniture	Bhatti	2014-15	9,062,950	407,833	589,092	181,259
Purchase of AC	Astron tech	2014-15	3,710,333	142,705	241,172	98,467
Purchase of Computers	Techno sol	2015-16	24,026,800	0	1,081,206	1,081,206
Purchase of AC	PEL	2015-16	924,500	0	41,603	41,603
Purchase of Tables	Zafar	2015-16	1,541,920	69,386	100,225	30,838
Purchase of Computers	Astron tech	2014-15	16,572,845	0	1,077,234	1,077,234
TOTAL			109,517,998	619,924	5,546,071	4,926,146

Audit holds that due to ineffective tax management, the income tax was not deducted at source resulting in loss to the public exchequer.

The matter was reported to the Department in May 2017. Management replied that only Income Tax payer firms are eligible to

participate the tender. All firms are income tax filers. Hence, commercial importer pays 6 % Income tax at the time of import. Therefore exempted from withholding Income Tax. The outstanding Income Tax in case of serial No. 1,4,5,7 is commercial importers and exempted from withholding Income Tax. The firms mentioned at serial no. 2, 3 & 6 are filers and hence paid withholding IT Tax @ 4.5% of the Bill amount. The reply was not acceptable because documentary evidence was not provided. Income tax exemption certificate did not support by valid import license, proof for not adding value to goods imported, shipping document showing particular of goods imported, custom / other tax calculation and deposit acknowledgement, deposit verification of tax etc. No DAC meeting convened till the finalization of this report.

Audit recommends recovery besides fixing responsibility against the officers/ officials at fault under intimation to Audit.

4.2.3 Excess Payment of sale tax amount due to defective Financial Discipline – Rs 756,334

According to Para 2 of S.R.O. No.660(1)/2007 dated 30th June, 2007, it is the responsibility of a withholding agent, intending to make purchases of taxable goods, shall indicate in an advisement or notice for this purpose that the sales tax to the extent as provided in these rules shall be deducted from the payment to the supplier. A withholding agent shall deduct an amount equal to one-fifth of the total sales tax shown in the sales tax invoice issued by the supplier and make payment of the balance amount to him.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, scrutiny of record revealed that payment of Rs22.245 million was paid to M/s Technosol on account of purchase of Computers for different Elementary and Higher Secondary Schools but department failed to deduct one-fifth of total sale tax amount. This resulted in loss of Rs756,334 to the Government as detailed below:

Name of Contractor	Type of Supply	Cost of Supplies exclusive S. Tax (Rs.)	Sales Tax amount @ 17% (Rs.)	Amount of one-fifth sales tax (Rs.)
Technosol	Computers	22,245,127	3,781,672	756,334

Audit holds that due to ineffective tax management, the required sales tax was not deducted resulting in loss to the public exchequer.

The matter was reported to the Department in May 2017. Management replied that Accounts Manger, Technosol (Pvt) limited has intimated that that Technosol is a commercial importer and paying 6%

income tax at the time of import and 3% additional sale tax according to FBR rules. Hence, exempted from withholding tax. The reply was not acceptable being evasive as Audit objected the non deduction of 1/5th Sales Tax out of seventeen percent sales tax. No DAC meeting convened till the finalization of this report.

Audit recommends recovery besides fixing responsibility against the officers/ officials at fault under intimation to Audit.

4.3 Procurement

4.3.1 Uneconomical purchase of UPS without competition - Rs 2.290 million

According to Rule 12(1) of Punjab Procurement Rules 2014, procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the PPRA's website in the manner and format specified by regulation by the PPRA from time to time.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was revealed that an expenditure of Rs 2.290 million was incurred on account of purchase of UPS from Rozi Enterprises but advertisement, quotation of Rozi Enterprises as well as competitors firms and comparative statement were not available on record. It was also seen that prior to purchase from Rozi Enterprises, supply order was issued to M/S Oratech for supply of the same but supply in response of job order was not available. This resulted in irregular purchase of items amounting to Rs 2.290 million.

Evidently the procurement of material at non-economical rates revealed that best value for public money was not achieved resulting in loss of Rs 2.290 million to the public exchequer.

The matter was reported to the Department in May 2017. Management replied that the firm quoted computer items and UPS. The firm failed to provide the sample to the Purchase Committee as required in the Tender Document and was not recommended for opening of Financial Bid accordingly. The firm applied to PPRA and Grievances Redressal Committee. After her appeal rejected by Grievances redressal Committee, he requested that he will stop litigation if his CDR is released and UPS contract may also be awarded to some other firm. 2nd lowest Rozi Enterprises offered to supply the UPS on the rates below than the rates quoted by Oratech Systems. DCO Gujranwala approved to issue supply order to Rozi enterprises instead of Ora tech systems on lesser rates in the best public interest. Resultantly, No loss to govt. treasury was made. The reply was not acceptable as the management awarded the contract in violation of PPRA rules. The department also admitted the lapse and negligence. No DAC meeting convened till the finalization of this report.

Audit recommends fixing responsibility for non transparent and uneconomical expenditure.

4.3.2 Uneconomical purchase of computers resulting in loss to Government - Rs 815,936

According to Rule 36(b)(ix) of Punjab Procurement Rules 2014, the bid found to be the lowest evaluated bid shall be accepted. Further rule 31 (1), 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.

EDO (Education) drew Rs 16.034 million on account of purchase of computers and accessories. The lowest rate was offered by M/S Wizards but the purchase was made from higher bidder M/s Astrontech. The technical scrutiny committee rejected the lowest bidder with the remarks that the rates were quoted on the letter head of the firm rather than on the self framed proforma of the procuring agency. Passing over lower offer of the said item resulted in non-transparent purchase of Rs 16.034 million and loss to the public exchequer for Rs 815,936 (Rs 16,034,936 - Rs 15,219,000) as detailed below:

Description	Qty	M/s Astrontech Price (Rs)	M/s wizards Price (Rs)
Computers	76	7,125,684	6,171,200
LED + Key + Mouse	304	4,256,912	3,952,000
N-Computing	76	3,267,620	3,336,400
Software	76	1,256,660	1,717,600
Router	19	128,060	41,800
Total		16,034,936	15,219,000

Evidently the procurement of material at non-economical rates revealed that best value for public money was not achieved resulting in loss of Rs 0.816 million to the public exchequer.

The matter was reported to the Department in May 2017. Management replied that M/S wizards did not submit financial bid on the Tender Document and failed to quote price of Printer. Therefore, Purchase committee did not consider the financial Bid of M/S Wizards. The reply was not acceptable as M/s wizard submit financial bid and quoted low rates but the department did not accept the low rates and awarded the contract at high rates. No DAC meeting convened till the finalization of this report.

Audit recommends fixing responsibility for non transparent and uneconomical expenditure.

4.3.3 Irregular purchase of computers due to rejection of seven bidders without any cogent reasons - Rs 29.12 million

Rule 37 (a) read with 36 (b)(ix) and 2 (h) of PPRA states that in case of single stage two envelop method, bids are evaluated on technical and financial grounds and price is taken into account after technical evaluation. Moreover, lowest evaluated bid would be accepted. Lowest Evaluated Bid means a bid which is closely conforming to the evaluation criteria and having lowest evaluated cost. Lowest Evaluated Cost means lowest cost in comparison from all competitors and without competitor, lowest evaluated cost could not be achieved.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, EDO (Education) expended on account of purchase of Computers and equipment through single stage two envelop method. The purchase was held irregular as EDO (education) awarded the contract without price competition rejecting seven other bidders on the basis of non-provision of samples. Audit is of the view that the companies offer their bids of branded computers on the basis of detailed specification as advertised by the department. There is no need of sample and contractor was bound to supply the articles in conformity with the specification of bids but the department rejected the bids on the basis of technical evaluation by applying self-made evaluation criterion.

Name of Firms rejected	Financial Year	Amount (Rs in million)
M/s Haptagon, AA Steen, Sam, Bhatti Traders, Amteeh, Planet & CMC Company	2015-16	29.12

Audit holds the above purchase as irregular. This state of affair reflects poor financial discipline. Such irregularities may result in loss to the public exchequer due to uneconomical rates.

The matter was reported to the Department in May 2017. Management replied that M/s Haptagon, AA Steen, Sam, Bhatti Traders, Amteeh, Plannet & CMC Company were not opened as per decision of Purchase committee that financial bids of only those firms who have been technically qualified, provided sample & gave demonstration of quoted items to the technical committee were opened. The reply was not acceptable because the companies offer their bids of branded computers on the basis of detailed specification as advertised by the department. There is no need of sample and contractor was bound to supply the articles in conformity with the specification of bid. No DAC meeting convened till the finalization of this report.

Audit recommends that the management should constitute an enquiry committee to investigate the whole procurement to fix responsibility for violating due process of law and competitive bidding.

4.3.4 Delay in Purchase of UPS resulting in loss to the Government – Rs 2.287 million

According to Rule 38(2)(a) of PPRA Rules 2014, Single Stage Two Envelopes bidding procedure shall be used for procurement of goods where the bids are to be evaluated on technical and financial grounds. Moreover, as per Rule 2.32 (a) of PFR Vol-1, all details about all accounts shall be recorded as fully as possible, so as to satisfy any enquiry that may be made into the particulars of any case.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was observed that tender was floated for purchase of UPS on 28-10-14. Three firms participated in tendering process. Comparative statement of financial bids was prepared which showed that the rate of Bhatti Traders was lowest on account of UPS. The department failed to issue supply/work order to the lowest firms and went into the process of retendering on 31-01-15 without presenting any reason. Scrutiny of the paid vouchers on account of purchase of UPS revealed that EDO (Education) paid higher rate of UPS to Bhatti Trader than the rate offered in the last tender. This resulted in loss to government as detailed below.

Sr. No.	Description	Qty	Rate (quoted by Bhaati Trader First attempt) (Rs)	Rate (quoted by Bhaati Trader 2nd attempt) (Rs)	Excess Rates (Rs)	Excess Amount (Rs)
1	UPS 3KVA	52	63,400	99,000	35,600	1,851,200
2	UPS 2KVA	18	44,800	69,000	24,200	435,600
Total						2,286,800

Audit holds that due to financial indiscipline and weak internal controls, non transparent and uneconomical purchase was made. Non transparent and uneconomical purchase resulted in violation of government rules and loss to the public exchequer.

The matter was reported to the Department in May 2017. Management replied that the Tender process started on 28-10-2014 was cancelled because the School Education Department directed to utilize the funds for construction of Boundary Walls provided for the schemes after the Terrorist attack on Army Public School, Peshawar. A request was

submitted to under secretary (ADP) to establish IT labs from available funds of Rs. 83.200 M. SED granted permission to establish IT labs from the available funds. The reply was not acceptable as department did not reject the tendering process in October 2014. After three months the department purchases the same generators from the same firm at high rates which is against the propriety and resulted huge loss to government. No DAC meeting convened till the finalization of this report.

Audit recommends fixing responsibility for non transparent and uneconomical purchase of machinery & equipment.

4.3.5 Purchase of IT equipment without fulfilling codal formalities - Rs115.483 million

According to Rule 31 of Procurement Rules 2014 “A procuring agency shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated and such evaluation criteria shall form an integral part of the bidding documents.” Further, according to Rule 28(2) (h) of PPRA 2014 Procuring agency must prepare bidding document mentioning therein delivery time and complete schedule for supply of goods and list of items to be purchased.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, the department made purchase of IT equipment for 112 schools. Purchase was held irregular because in violation of the PPRA, Performance guarantee @10% was not received from the suppliers which made the contract void ab-initio. No specifications of the computers and equipment were predetermined by Punjab IT Board. No criteria for technical evaluation were circulated along with bid document. Inspection of the items received / IT equipment were not made by the independent technical committee, only some computer literate or in other words simple operating software users were assigned a duty to check the equipment.

There was no verification about the hardware equipment that the items were imported by the suppliers as new machinery and equipment or used IT equipment was imported in bulk. No bill of entry was attached with the bills and the EMI numbers of the equipment were not verified from the website of the manufacturer for verification of the status of supplied equipment as genuinely imported off the shelf products or second hand used products.

Warranties of the manufacturers were not provided and reliance was on irrelevant documents. Warranty for licensed software or its installation in the hardware equipment had not been corroborative contrary

to bidding documents signed and furnished by the supplier. Technical bids of M/s Sam & M/s Planet and Financial bids of M/s Haptagon, AA Steen, Sam, Bhatti Traders, Amteeh, Plannet & CMC Company were not available on record. Further Tender register/sale register was also not maintained/produced.

Audit is of the view that due to financial indiscipline the management did not adopt clear cut, specific, measurable and comprehensive method in execution of the project. This resulted in violation of government instructions.

The matter was reported to the Department in May 2017. Management replied that Specification for Procurement of IT labs equipments were prepared strictly in accordance with guidelines provided by the School Education Department by the technical committee consisted of highly qualified SSTs (CS) under the chairmanship of a senior Headmaster. The Computer equipments were procured from the authorized distributor of the Dell and HP. The registered soft ware is available in school IT labs. However, some IT teachers find comfortable in some other softwares and use it accordingly. Instead of performance guarantee, 5% CDR was retained of the successful bidder for one year. Further, Financial bids of M/s Haptagon, AA Steen, Sam, Bhatti Traders, Amteeh, Plannet & CMC Company were not opened as they did not provide sample as per decision of purchase committee. Tender register/sale register could not be presented at the time of audit due to rush of work. The same has been maintained and available for inspection. The reply was not acceptable as Performance securities were not obtained. Further, Specification approved from IT Board, Bill of entry with EMI number, warrantee certificates, technical/financial bids, copies of tender register/tender sale register were not provided. No DAC meeting convened till the finalization of this report.

Audit recommends that the management should enquire into the process of award of contract and complete execution of the scheme to fix responsibility for violating the government instructions.

4.3.6 Improper Handling of the purchase Process due to Unauthorized Refund of Earnest Money and Performance Guarantee – Rs 314,994

According to Purchase order, if the firm fails to supply the items the earnest money will be forfeited in violation of any term of purchase order, the firm will lead to blacklisting. Rule 56 of PPR Rules 2014, the

procuring agency shall require the successful bidder to furnish a performance guarantee @ 10% of the contract amount.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was revealed that the purchase order was issued to M/S Oratech for supply the UPS. The firm did not supply the items. The department refunded the earnest money @ 5% of purchase order Rs 104,998 (2,099,960 *5%) instead of forfeiture the earnest money. Further Performance guarantee was not forfeited for non-supply of items Rs 209,996 (2,099,960*10%). This resulted in loss to the government and favor to the contractor as financial benefit was awarded instead of blacklisting the firm.

Audit holds that due to poor financial discipline, the amount was released from government treasury without admissibility resulting in loss of Rs 314,994.

The matter was reported to the Department in May 2017. Management replied that the firm quoted computer items and UPS. The firm failed to provide the sample to the Purchase Committee as required in the Tender Document and was not recommended for opening of Financial Bid accordingly. The firm applied to PPRA and Grievances Redressal Committee. After her appeal rejected by Grievances redressal Committee, he requested that he will stop litigation if his CDR is released and UPS contract may also be awarded to some other firm. 2nd lowest Rozi Enterprises offered to supply the UPS on the rates below than the rates quoted by Oratech Systems. DCO Gujranwala approved to issue supply order to Rozi enterprises instead of Ora tech systems on lesser rates in the best public interest. Resultantly, No loss to govt. treasury was made. The reply was not acceptable because according to PPRA rules, the M/s Oratech was bound to supply the goods and in case of refusal, the management was bound to forfeit the earnest money and blacklisting the firm. No DAC meeting convened till the finalization of this report.

Audit recommends that the matter may be investigated at appropriate level for fixing responsibility.

4.4 Asset Management

4.4.1 Poor asset management resulting in non traceable whereabouts of old Computers

According to section 126 of PLGO 2001, in case of any loss of property of Local Government, the responsibility for such loss shall be fixed by the concerned Local Government and the amount of the loss shall be recovered from the defaulting person.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was noticed that an amount of Rs 16.573 million was spent on the scheme titled “Replacement of existing computer labs in secondary schools”. The department received new computers for 23 schools as replacement of old computers during 2014-15 but the old computers were neither physically available nor accounted for in the relevant stock registers.

Audit holds that due to poor asset management, the whereabouts of the old computers items were not known which may result in misappropriation of government assets.

The matter was reported to the Department in May 2017. Management replied that the computers are obsolete but available in schools. The Principals / Head of the institution have been asked to provide a certificate that old computer are available in schools. The reply was not acceptable because old computers were Core I-3 and neither their sale value was effected not documentary evidence of their existence was provided. No DAC meeting convened till the finalization of this report.

Audit recommends that auction process of old computers be started immediately and responsibility be fixed for wasting of assets and non crediting the sale value of computers.

4.4.2 Unverifiable expenditure on account of purchase of stores – Rs 115.495 million

According to Rule 15(4) and Rule 15.5 of PFR Vol-I, all material received should be examined, counted, measured and weighted as the case may be, when delivery is taken and same should be kept in charge of a reasonable Government servant, when materials are issued, a written acknowledgement should be obtained from the person to whom they are ordered to be delivered.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, scrutiny of paid vouchers of articles revealed that purchases of stores were made as under:

Name of Item	Financial Year	Total (Rs in million)
Purchase of Computers, ACs & UPS etc	2014-15	75.688
-do-	2015-16	23.234
-do-	2014-15 (Replacement)	16.573
TOTAL		115.495

It was observed that the above articles were handed over direct to school heads without making proper stock entries in violation of rule. Therefore, audit was unable to verify the authenticity of purchases of Rs.115.495 million.

Audit is of the view that non-maintenance of assets accounts of the project resulted in unsound asset management and misuse of assets valuing Rs 115.495 million.

The matter was reported to the Department in May 2017. Management replied that according to condition of the Tender document, Bidder is required to supply, install IT Lab equipment in schools and make the IT labs functional. However, entries in stock Register of Chief Executive Officer, District Education Authority is being maintained as per direction of audit. Reply was not acceptable as no documentary evidence was provided by the department. No DAC meeting convened till the finalization of this report.

Audit recommends that responsibility may be fixed for not making entries in the prescribed stock registers, due to which existence of the stores cannot be verified by Audit. Action taken may be intimated to Audit.

4.5 Monitoring and Evaluation

4.5.1 Non-evaluation/Monitoring of IT Project - Rs 115.483 million

According to Rule 32(vi) of PDG & TMA (Budget) Rules 2003, Administrator/ Nazim shall review progress of development projects and ensure timely completion of the development projects.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was observed that education department expended Rs 115.483 million for provision of IT Labs in district Gujranwala. No progress report showing the results of computerization was received from the schools. Thus, the fate of the objective set by the authority could not be verified which rendered the expenditure of Rs 115.483 million as wasteful. Audit observed that after commencement of scheme there was no effective system in position to monitor performance as per predefined performance indicators.

The above situation revealed that achievement of objective of the project was not the priority of the District Governments.

The matter was reported to the Department in May 2017. Management replied that Computer and IT Literacy is being provided to the students and teachers with the help of IT labs available in schools. Regular monitoring of IT Labs is being conducted by the District education Officer (SE), Dy. DEO(SE) and honorary DEOs. The objectives of the scheme are being achieved gradually. The reply was not acceptable as no documentary evidence was provided by the department in support of the reply. No DAC meeting convened till the finalization of this report.

Audit recommends that the management should review and monitor the performance of IT Labs regularly for comparison with predetermined indicators.

4.5.2 Loss to the Government due to destroy of IT Lab - Rs 1.10 million

As per Rule 18.4 of PFR Vol-I, a competent authority may write off finally the irrecoverable value of stores or public money lost by fraud or negligence of individuals of other causes. All sanctions to write off of losses should be communicated to the Director Audit for scrutiny and for bringing to notice any defects of the system which appear to require attention. Moreover, Note 2 of the said Rule states that the expression “value of stores” used in this should be interpreted as meaning “book value” where priced accounts are maintained and in other cases

replacement value is to be determined on the basis of market value prevalent at the time, the article is lost.

According to Section 126 of the PLGO 2001, in case of any loss of property of the local government, the responsibility for such loss shall be fixed by the concerned local government and the amount of the loss shall be recovered from the defaulting person and a report to this effect shall forthwith be submitted to the concerned Council in the meeting next following.

Scrutiny of Assessment Report of EDO (Education), Gujranwala in connection with fire in IT Lab of Government Girls School, Ferozewala a loss of Rs 1.1 million was incurred but neither departmental inquiry / investigation to fix responsibility for actual loss was made nor process to write off loss was initiated.

Audit holds that due to lapse in security measures the loss was occurred to public exchequer.

The matter was reported to the Department in May 2017. Management replied that District Education Officer has been directed to enquire into the matter and submit its findings for further process. The department admitted the lapse and negligence. No DAC meeting convened till the finalization of this report.

Audit recommends for making the loss good besides fixing responsibility against the person(s) at fault under intimation to Audit.

4.6 Capacity Building Issues

Capacity building is important aspect, which needs attention to receive desired performance. This is true for individuals and organizations alike. Capacity building is also an essential component for the sustainability of any initiative.

4.6.1 Inefficient use of IT Labs

Rule 64 of PDG and TMA Budget Rules 2003, each local government shall efficiently and effectively manage the resources made available to the local government.

During Special Study of IT Labs of EDO (Education), Gujranwala for the period 2014-16, it was observed that in Secondary schools the IT Labs were being used by only the students of class 9th & 10th (average 10 students) whereas the students of class 6th, 7th and 8th were studying only the theory of the computer and they were deprived of practical training. It is pertinent to note that the Punjab Examination Commission has not taken computer paper of class 8 for the last three years. The school management was asked to take the computer paper internally.

Audit holds that due to defective planning and poor administration capacity building remained unaddressed.

The matter was reported to the Department in May 2017. Management replied that the students of computer Science of elementary classes are being provided Lab period and given sufficient opportunity to work on computers. DEOs have been requested to advise head of institutions to take internal examination of the computer subject at elementary level. The reply was not acceptable because during visit of schools it was observed that students of class 6th, 7th and 8th were studying only the theory and they were deprived of practical training. No DAC meeting convened till the finalization of this report.

Audit recommends that the management should involve the students of class 6th, 7th & 8th in computer literacy so that the benefits of the scheme could be spread at large.

5. CONCLUSION

Provision of IT Labs in Secondary Schools of District Gujranwala was introduced to provide computer education to the students of governments schools in district Gujranwala.

Although it had been partially successful in realizing its objective, yet a number of deficiencies were observed. Scrutiny of last three years result of Board of Secondary Education, Gujranwala revealed that the passing percentage was reducing after implementation of provision of IT Labs in secondary schools. Management made purchases of computer & its accessories without approval of the scheme / PC-I. Many IT Labs of schools were non-functional due to non-posting /availability of IT teacher. This study concluded that students in secondary schools were provided IT facilities but only IT teachers used computers during their teaching and other subject's teachers were not trained. There was no mechanism of monitoring of IT project.