



**AUDIT REPORT**  
**ON**  
**THE ACCOUNTS OF**  
**GOVERNMENT OF**  
**KHYBER PAKHTUNKHWA**  
**AUDIT YEAR 2019-20**

**AUDITOR GENERAL OF PAKISTAN**

## **ABBREVIATIONS & ACRONYMS**

ADB	Asian Development Bank
ADP	Annual Development Program
APR	Actual Payee Receipts
AM&R	Annual Maintenance & Repair
ARS	Agriculture Research Station
AWKUM	Abdul Wali Khan University Mardan
AUP	Agriculture University Peshawar
BOQ	Bill of Quantities
C&W	Communication and Works
CCCPO	Chief Capital City Police Office
CPPA	Central Power Purchasing Agreement
CPPA	Central Power Purchase Agency
CPO	Central Police Office
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
CSR	Composite Schedule of Rates
CTR	Central Treasury Rules
CRBC	Chashma Right Bank Canal
Cft	Cubic feet
COD	Commercial Operation Date
DCO	District Coordination Officer
DRC	Documents Review Committee
DAC	Departmental Accounts Committee
DAO	District Accounts Office
DFC	District Food Controller
DFO	Divisional Forest Officer
DDA	District Director Agriculture
DDO	Drawing & Disbursing Officer
DSC	Developmental Steering Committee
DRAC	District Rate Committee Assessment
EGB	Empty Gunny Bag
EME	Electro Mechanical Engineering
EZDMC	Economic Zones Development and Management Company

FDC	Forest Development Corporation
FTR	Federal Treasury Rules
FIR	First Information Report
FATA	Federally Administered Tribal Area
FANA	Frontier and Northern Area
GFR	General Financial Rules
HPP	Hydro Power Project
HDF	Hydel Development Fund
HOD	Head Of Department
HED	Higher Education Department
HEC	Higher Education Commission
HMC	Hayatabad Medical Complex
IFSP	Insaf Food Security Program
IPC	Interim Payment Certificate
KP	Khyber Pakhtunkhwa
KPIs	Key Performance Indicators
Kg	Kilogram
Km	Kilometer
LFA	Literacy For All
LG&RDD	Local Government & Rural Development Department
MB	Measurement Book
MCC	Medicines Coordination Cell
MFSC	Model Farm Service Center
MRS	Market Rates System
MSG	Mineral Sector Governance
MS	Medical Superintendent
MTI	Medical Teaching Institutions
MD	Managing Director
MNCH	Maternal Newborn & Child Health
MOU	Memorandum Of Understanding
NEPRA	National Electric Power Regulatory Authority
NIT	Notice Inviting Tender
NRC	National Reserve Centre
NSR	Non Schedule Rate
NSL	Natural Soil Level
NTDC	National Transmission and Dispatch Company
NTN	National Tax Number
NWFP	North West Frontier Province
O&M	Operation and Maintenance
OM	Operational Manual

OFWM	On-Farm Water Management
OPD	Out Patient Department
PD	Project Director
PAC	Public Accounts Committee
PASSCO	Pakistan Agriculture Storage & Supply Corporation
PESCO	Peshawar Electric Supply Company
PEDO	Pakhtunkhwa Energy Development Organization
PHYDO	Provincial Hydro Development Organization
PC	Project Coordinator
PCC	Plain Cement Concrete
PLA	Personal Ledger Account
PPA	Power Purchase Agreement
POL	Petroleum, Oil & Lubricants
POF	Pakistan Ordnance Factory
PDWP	Provincial Development Working Party
RCC	Reinforced Cement Concrete
RFA	Radio Frequency Ablation
SDO	Sub Divisional Officer
SME's	Small & Medium Enterprises
SMEDA	Small & Medium Enterprises Development Authority
SRSP	Sarhad Rural Support Programme
S&EO	Storage & Enforcement Officer
Sft	Square Feet
SIP	Special Initiative Package
STN	Sales Tax Number
TEVTA	Technical Educational & Vocational Training Agency
TS	Technical Sanction
TTS	Tenure Track System
UAA	Un-attractive Area Allowance
VC	Vice Chancellor
Vol	Volume
WAPDA	Water and Power Development Authority
WCH	Women & Children Hospital
WUA	Water User Association

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## **Preface**

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of the accounts of Province and the accounts of any authority or body established by the Province.

The report is based on the audit of the accounts of various departments and organizations of the Government of Khyber Pakhtunkhwa for the financial year 2018-19 and the accounts of some formations for previous financial years. The Directorate General Audit Khyber Pakhtunkhwa conducted the audit during 2019-20 on a test check basis, to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying a value of Rs.1 million or more. Relatively, less significant issues are listed in the Annex-A of the Audit Report. The audit observations listed in it shall be pursued with the Principal Accounting Officers at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public 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.

Most of the observations included in this report have been finalized in the light of written responses and discussions in the DAC meetings.

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

**Sd/-**

**(Javaid Jehangir)**

Auditor-General of Pakistan

**Islamabad**

**Dated:25.02.2020**

## EXECUTIVE SUMMARY

The Directorate General Audit Khyber Pakhtunkhwa carries out the audit of the Government of Khyber Pakhtunkhwa. The Government of Khyber Pakhtunkhwa conducts its operations under the Rules of Business 1985 that envisage the provincial government as comprising 32 Principal Accounting Officers for different departments, Attached Departments, Subordinate Offices and certain Autonomous Bodies. Financial provisions of the constitution prescribe the procedures relating to the Receipts and Disbursements to and from the Provincial Consolidated Fund and Public Account for which the Annual Budget Statement is authorized by the Assembly. The Directorate General Audit has human resources of 103 officers/other staff and 18000 man-days available for audit. The annual budget of this Directorate General was Rs.152.835 million. The office is mandated to conduct regularity audit (financial attest audit and compliance with authority audit) and performance audit of departments and projects run by those departments. This is a Regularity Audit Report on Expenditure and Non-Tax Receipts. The Revenue Receipts Audit Report has been published separately.

### a. Scope of Audit

This office is mandated to conduct audit of 1780 formations working under 32 PAOs. Total expenditure and receipts of these formations were Rs 572.747 billion for the financial year 2018-19 and the Public Account expenditure of Rs. 295.928 billion.

Audit coverage relating to expenditure for the current audit year comprises 120 formations of 24 PAOs having a total expenditure of Rs.208.513 billion for the financial year 2018-19. In terms of percentage, the audit coverage for expenditure is 24% of auditable expenditure.

This audit report also includes audit observations resulting from the audit of:

1. Expenditure of Rs 48.390 billion for the financial year 2017-18 pertains to 41 formations of 15 PAOs.
2. Expenditure of RS 16.705 billion pertaining to financial years 2014-15, 2015-16 and 2016-17.

In addition to this compliance audit report, DG Provincial Audit KP conducted 02 Certification Audits, 14 Financial Attest Audits of FAPs, 03 Performance Audits, and 02 Special Audits/Studies. The reports of these audits are being published separately.

**b. Recoveries at the instance of audit:**

As a result, recovery of Rs 9,593.036 million was pointed out in this report. Recovery effected from January to December 2019 was Rs. 1,686.334 million that was verified by audit.

**c. Audit Methodology:**

The audit year 2018-19 witnessed the intensive application of desk audit techniques in the Director-General Audit, Khyber Pakhtunkhwa. This was facilitated by access to live SAP/R3 data, intranet, internet facility, and availability of permanent files. Detailed review helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. This greatly facilitated the identification of high-risk areas for substantive testing in the field.

**d. Audit Impact**

There was no change in rules, practices and internal control systems during the year as pointed by audit. Most of the irregularities noticed in the previous year were repeated in the current year as well, because departments failed to convene DAC meetings on time. Due to non-conduct of DACs and non implementation of DAC directives, the departments failed to implement a proper system of financial management and internal controls.

An amount of Rs. 1686.334 million was recovered on pointation of Audit.

**e. Comments on Internal Control**

Internal Control is a tool for management to improve performance, prevent losses, and control mismanagement of public money and safeguard government assets.

For effective management and achievement of the objectives, various types of internal controls should be in place. Accounting controls ensure completeness, accuracy, timelines, and reliability of accounts. Financial controls help in budgeting and accurate forecasting. Administrative controls help in preventing unauthorized payments, losses, and misappropriations, etc.

In most of the provincial government departments lack of internal control is evident from the following shortcomings in the financial management system:

- ✚ Non-production of record
- ✚ Non-observance of canons of financial propriety and non-compliance of rules & regulations.
- ✚ Non-recovery of government dues.
- ✚ Overpayments in pay & allowances.
- ✚ Loss to the government due to negligence.
- ✚ Excess payments to suppliers/ contractors.
- ✚ Irregular, unauthorized and unnecessary expenditure.
- ✚ Misuse of financial powers by the subordinate officials.
- ✚ Waste of funds due to the un-necessary purchase of store etc.
- ✚ Retention of public money outside the government account.
- ✚ The Directives of the DAC and PAC not pursued vigorously.

**f. Key audit findings of the report:**

- ✚ Advance payment to the contractors without fulfilling criteria amounting to Rs.9.641 million was noticed in 1 case<sup>1</sup>.
- ✚ Defective design of building amounting to Rs.210.779 million was noticed in 1 case<sup>2</sup>.
- ✚ Doubtful payments amounting to Rs.210.779 million were noticed in 3 cases<sup>3</sup>.
- ✚ Embezzlement of government dues amounting to Rs.16.6 million were noticed in 1 cases<sup>4</sup>.
- ✚ Excess payments amounting to Rs.9607.104 million were noticed in 5 cases<sup>5</sup>.
- ✚ Fraudulent and fictitious drawl amounting to Rs.2759.21 million were noticed in 3 cases<sup>6</sup>.
- ✚ Illegal expenditure / distribution amounting to Rs.372.949 million were noticed in 4 cases<sup>7</sup>.
- ✚ Irregular appointments, awards and expenditure amounting to Rs.2346.666 million were noticed in 32 cases<sup>8</sup>.
- ✚ Loss amounting to Rs.5,014.426 million were noticed in 62 cases<sup>9</sup>.
- ✚ Misappropriations amounting to Rs.32.561 million were noticed in 3 cases<sup>10</sup>.
- ✚ Non-achievement of project objectives amounting to Rs.5250.00 million was noticed in 1 case<sup>11</sup>.
- ✚ Non-adjustment of advances amounting to Rs.87.295 million was noticed in 1 case<sup>12</sup>.
- ✚ Non-cancellation of contract amounting to Rs.4.845 million was noticed in 1 cases<sup>13</sup>.
- ✚ Non-confirmation of recovery amounting to Rs.20.001 million was noticed in 1 cases<sup>14</sup>.



Para	20	4.4.18	4.4.34	1.1.1																	
Para	21	12.4.6	5.4.22	18.4.8	5.4.25	5.4.27	5.4.23	8.4.23	8.4.24	8.4.25	4.4.21	8.4.22	4.4.27	18.4.7	5.4.23	9.4.8	4.4.26	15.4.4	5.4.26	11.4.6	4.4.24
		4.4.22	4.4.24	4.4.31	4.4.28	4.4.29	11.4.7	4.4.25	4.4.20												
Para	22	8.4.11	13.4.14	8.4.32	5.4.15	12.4.7	8.4.29	5.4.3	16.4.3	8.4.31	8.4.30	8.4.27	5.4.16	11.4.9	7.4.3	11.4.10	9.4.9	4.4.19	18.4.9	5.4.14	5.4.17
		11.4.8	11.4.11	15.4.5	5.4.18	18.4.10	15.4.6	5.4.19	1.1.4	8.4.26	3.4.4	8.4.28	9.4.10	4.4.18	8.4.38	4.4.31	4.4.47	9.4.11			
Para	23	5.4.35	12.4.9	4.4.32	15.4.10	15.4.8	11.4.14	11.4.13	7.4.4	4.4.30											

Audit paras for the audit year 2018-19 having value of less than Rs.1.00 million involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC is attached as Annexed-A.

## **Recommendations**

- ✚ Instances of making payments by the departments or their autonomous bodies/authorities to employees in contravention of rules and disregard of the employees' entitlement need to be checked by effecting recoveries where due and taking disciplinary action against the officials involved in overpayments.
- ✚ PAOs should promptly investigate cases of embezzlements/frauds/losses.
- ✚ The departments should ensure adherence to the provisions of GFR, Procurement Rules, and other Government Instructions.
- ✚ Departments need to deposit the public money received by them in the Provincial Consolidated Fund and Public Account instead of depositing into unauthorized accounts in commercial banks.
- ✚ The PAOs should strengthen the internal control mechanism to prevent losses, misuse of delegated financial powers and government assets and recurrence of similar nature of irregularities.
- ✚ The PAOs should ensure the production of auditable records to audit in respect of cases relating to non-production of record pointed out by audit and take disciplinary action in terms of section 14 (3) of Auditor General's Ordinance, 2001.
- ✚ The departments' compliance towards PAC directives was poor. The PAOs should give full attention to the PAC directives and improve compliance by their respective departments.
- ✚ The PAOs should ensure holding of DAC meetings regularly.

## Chapter -1

### Public Financial Management issues pertaining to Appropriation Accounts and Finance Accounts Compiled by the Accountant General and Finance Department Government of Khyber Pakhtunkhwa

#### Sectoral Analysis

While analyzing the appropriation / financial statements of the government of Khyber Pakhtunkhwa for the financial year 2018-19, it was noticed that the original budget was Rs. 726.270 billion. Then a supplementary grant of Rs. 27.925 billion was given so the total budget outlay for the financial year 2018-19 became Rs. 754.195 billion. However, against this budget outlay, the provincial government incurred an expenditure of Rs. 546.9 billion resulting in under spending (saving) of Rs. 211.419 billion which in terms of percentage is 28% of annual budget. It indicates the inefficiency of the provincial government departments to utilize the available resources effectively. As tabulated below:

S.No.	Expenditure Head	Amount (in billion)
1	Current revenue expenditure	430.00
2	Current Capital expenditure	8.00
3	Development expenditure	108.900
	<b>Total</b>	<b>546.9</b>

Sector wise detail of development expenditure is given below:

S.No.	Sectors	Amount (in billion)
1	Development	23.464
2	Rural and Urban Development	16.505
3	Public Health Engineering	3.327
4	Education and Training	13.152
5	Health Services	7.966
6	Construction of Irrigation	5.937
7	Construction of Roads, Highways and Bridges	9.204
8	District Program	29.345
	<b>Total</b>	<b>108.9</b>

The above statistics shows that a major chunk of the provincial budget was spent on current expenditure, thereby squeezing the budget of

development expenditure. Despite the extension of retirement age for provincial government employees to 63 years, the salary and pension bill of provincial government amounted to Rs.430.00 billion that left a small amount for development projects. As a consequence of this imbalance between current and development expenditure the through-forward liability of the provincial government has increased from Rs.37.00 billion in 2013-14 to Rs.469.00 billion in 2018-19. The project completion time has also been negatively affected and it has soared from one and half year to 6 years in the corresponding period.

It is pertinent to mention here that the province has generated a meager sum of Rs.94.699 billion through collection of tax and non tax receipts which constitute 18% of the total budget, while Rs. 368.798 billion (73%) of the budget has been received from the Federal Government. In addition, Rs. 56.711 billion (9%) of the receipts have accrued in the form of Grants (local and foreign), aids and foreign debts. It clearly shows that provincial government is financially dependent on the revenue transfers from the federal government. The table below gives the details of revenue generated by the province:

<b>S.No.</b>	<b>Particulars</b>	<b>Amount (in billion)</b>
1	Tax revenue	<b>19.907</b>
2	Non tax revenue:	
	General Administration	4.496
	Economic Services	1.525
	Development surcharge	24.210
	Interest on loans and advances	0.075
	Dividend and profit share	21.063
	Others	4.760
	<b>Total</b>	<b>56.129</b>
3	Capital receipts	<b>0.078</b>
4	Trading activities	<b>18.094</b>
5	District government receipts	<b>0.491</b>
	<b>G.Total</b>	<b>94.699</b>

The above mentioned figures depict the poor financial management of the province because the provincial government has failed, on one hand, to fully utilize the available financial resources and on the other hand, it collected a meager sum of revenue which hardly constitute 18% of the total expenditure.

Following is an analysis of Government of Khyber Pakhtunkhwa in the light of targets given in Medium Term Budgetary Estimates for the year 2018-19:

The review of KPIs for the health department reveals that they are properly linked with policy guidelines and well aligned with subsequent outcomes and outputs developed. However, the data about the achievements of MTIs around the province is not provided. The department is also falling behind the targets in terms of Sahat Sahulat Card. The progress achieved does not meet expectations. The implementation of the Regional and District Health Authorities Act, 2019 is another big challenge for the Government in the health sector.

The policy, outcomes, outputs, and KPIs of the higher education department reveal a major disconnect between all four of them. The department also looks after 26 universities, though the universities are largely autonomous. The major universities are facing a financial crunch. They are unable to raise sufficient funds to pay their retiring employees. The financial mismanagement is another problem.

A review of policy guidelines, outcomes, outputs, and subsequent KPIs of Agriculture, Livestock and Cooperative Department reveals that the policy guidelines are not properly connected with the outcomes and outputs. The measures taken in the last few months to regulate the agricultural marketing system have not worked. The official markets opened under the district administrations failed to compete with the already established marketers.

On the brighter side, for the first time, MRS 2019 was prepared by C&W instead of the Finance Department. It will help in sorting out some major loopholes from the MRS to make the procurement more transparent.

The data given for the Forestry sector could not be relied upon because it is not given by the department. Spending on Billion Tree remained a major component of overall expenditure in the year 2018-19. The project is nearing completion and a Phasing Out strategy will help maintain the assets developed so far.

The data about the achievements of the Food sector has not been provided in the Medium Terms Budgetary Estimates.

The data provided for the Industries sector reveals the number of Deeni madaris registered. However, it seems odd that the registration of religious

seminaries is dealt with by the Industries Department instead of Education or Religious Affairs department.

A review of data given by the Irrigation department reveals that the department has failed to adopt any strategy about water pollution, affecting all the major rivers and canal systems. Similarly, the revenue collection also falls far behind the targets.

The transport and mass transit department fails to inform through the various KPIs developed for mass transit that how much progress has been achieved in the completion of Peshawar BRT.

The data about the Home and Tribal Affairs Department reveals that the policy guidelines are too vague and generalized. Secondly, the policy guidelines are not properly linked with outcomes, outputs, and KPIs. The data also fails to establish the implementation status of the Police Act, 2017. There is no information about the constitution of civilian oversight bodies.

## **1 Audit Paras**

### **1.1.1 Non-utilization of SAP system for confirmation of final grants-Rs.542,776 million**

According to section 7.4.6.3 of APPM read with para-5(xi) of the Controller General of Accounts letter dated 05-04-2019, the budget figures used shall be confirmed by the respective Finance Department. The Original Grant, Supplementary Grant and Final Grant appearing in the Appropriation Accounts should be properly verified with the SAP System as well as Schedule of Authorized Expenditure and Supplementary Schedule of Authorized Expenditure. The AGs/SAEs shall take necessary measures in this regard and shall take-up the matter with the respective Finance Division/Departments and Districts.

During audit of the Appropriation Accounts of the Government of Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that a sum of Rs.542,776,485,897/- was shown incurred. The final grants figures were required to have been confirmed/obtained from the SAP system under the relevant heads. On further scrutiny of record, it was observed that final grants were manually prepared and not generated from SAP System by the Finance Department. Non-utilization of SAP system for calculating the final grants by updating the budget on regular basis and relying on manual process render the

SAP system under-utilized. Manual calculation of final grant is also prone to chances of errors and omissions.

In the DAC meeting held on 29-10-2019, the management stated that the matter will be intimated to the Finance Department for compliance and the results will be shared with Audit. After the DAC meeting, the record was further verified and the following irregularities were observed;

1. The final grants were not uploaded on the SAP System.
2. An amount of Rs. 38.487 million was incurred in excess of the approved final grants.
3. An amount of Rs.28,004,417/- was shown reconciled in excess of the actual expenditure. (As detailed below):

<b>Grant No.</b>	<b>Actual Expenditure</b>	<b>Reconciliation Made</b>	<b>Diff:</b>
37 (P-xiii & 246)	105,269,181	109,783,872	4,514,691
47 (P-xiii & 271)	1,470,015,960	1,493,505,686	23,489,726
<b>Total</b>	<b>1,575,285,141</b>	<b>1,603,289,558</b>	<b>28,004,417</b>

Audit recommends investigating the matter for taking appropriate action and updating/uploading the final grants in the SAP system by the Finance Department.

**AP 1.1.1 (2018-19)**

**1.1.2 Non-disclosure of TMAs figures in provincial financial statements- Rs. 33,248 million**

According to section 36(3) of the Khyber Pakhtunkhwa Local Government Act, 2013 “The District Accounts Officer shall, quarterly and annually, consolidate the accounts of local governments in the district separately for receipts from the Government and local resources and send a copy to Government, Accountant General and Nazim district council”.

During audit of the Financial Statements of the Government of Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that no expenditure of the TMAs, Village/Neighborhood Councils were disclosed in the financial statement. The TMAs, VCs/NCs and Autonomies Bodies etc. did not submit their monthly/ annual accounts to DAOs/ AG for consolidation. Therefore, the receipts and payments, the amount of which runs into billions and is inestimable at this stage was not disclosed. The accounts, therefore, did not reflect the true picture.

The lapse occurred due to weak financial controls.

In the DAC meeting held on 29-10-2019, the management stated that the case has been forwarded to the Finance Department. After the revision of Financial Statements, the deficiencies still existed till the finalization of this report.

Audit recommends taking appropriate action.

**AP 2.1.1 (2018-19)**

### **1.1.3 Non-disclosure of complete investment in GP Fund, Pension Fund, Hydel Development Fund and accumulated profits**

According to Para 7.2.4.3 of APPM, the Annual Accounts is an annual summary of the overall financial position of each government as at the end of the financial year. This shall include, for each Government;

- A statement of assets and liabilities. This will include comparison with last years' actual.
- A statement of receipts and payments for each fund (i.e. consolidated fund& public account).
- A statement of cash flows.
- A statement of receipts and payments for each of the trust accounts included under the Public Account - notes to the Accounts.

During audit of the Financial Statements of the Government of Khyber Pakhtunkhwa for Financial Year 2018-19, it was observed that the financial statements did not give any details about the investment made till date in GPF Investment Fund, Pension Investment Fund and Hydel Development Fund and the profit earned from it. According to the white paper issued by the Finance Department for 2019-20, Rs.61,576 million, Rs.42,548 million and Rs. 23,020 million were shown as the closing balance of GPF Investment Fund, Pension Investment Fund and Hydel Development Fund respectively. However, the financial statements of the KP Government did not disclose any information about these investment funds, meaning thereby that the financial statements of the KP Government did not present a true and fair picture of assets of the provincial government.

The non-disclosure of information in the financial statements occurred due to non-adherence to the provisions of APPM.

The observation was communicated to the management but no reply was given till the finalization of this report.

Audit recommends strict adherence to the policies and procedures manual for financial reporting and disclosure of complete information.

**AP 2.1.4 (2018-19)**

**1.1.4 Unauthorized payments resulting into the minus balances against liabilities - Rs. 11,903.941 million**

As per APPM, the Suspense Account should be cleared on 30<sup>th</sup> June of each year. Para-89(4)(viii) of the GFR Vol-I states that the head of the department and the Accountant General will jointly be responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those appearing in the Accountant General books. Unless in any case there are special rules or orders to the contrary, such as those contained in paragraph-90, the reconciliation should be made monthly, the initial responsibility rests with the Accountant General.

During audit of the Finance Accounts of the Government of Khyber Pakhtunkhwa for Financial Year 2018-19, it was observed that Negative Balances amounting to Rs.18,321,894,954/- pertaining to Public Accounts were reported under various heads.

The lapses occurred due to weak financial controls and non-adherence to rules.

In the DAC meeting held on 29-10-2019, with the follow-up meeting on 18-11-2019, the negative balances in the Finance Accounts were shown reduced from Rs.18,321,894,954/- to Rs. 11,903,941,449/-.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 3.1.1 (2018-19)**

**1.1.5 Non-reflection of write-off/ losses in the Financial Statements**

According to Paras-20 to 24 of GFR Vol-I, read with Chapter-8 of APPM Para 8.2.2, any loss of public money, departmental revenue or receipts or other property held by or on behalf of government caused by defalcation or otherwise should be immediately reported to the Accountant General.

During audit of the Financial Statements of the Government of Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that Capital Expenditure amounting to Rs.150,666 million was incurred on purchase of assets. However, the losses and write off value of Assets were not reflected in the financial statement. As a result the assets values remained overstated.

The irregularity occurred due to weak financial controls and non-observance of rules.

The observation was communicated to the management but no reply was given till finalization of the report.

The matter is reported for taking appropriate action.

**AP 2.1.2 (2018-19)**

## **Chapter – 2**

### **Administration Department**

#### **2.1 A) Introduction**

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ It shall be the responsibility of the Chief Secretary to coordinate the work of all Departments of Government.
- ❖ The Chief Secretary may call for any case or information from any Department or Attached Department.
- ❖ The Establishment and Administration Department shall be responsible for:
  - the determination of the principles of control of Government servants, including recruitment, conditions of service and discipline;
  - the coordination of the policy of all Departments with respect to services under their control so as to secure consistency of treatment;
  - securing to all Government servants the rights and privileges conferred on them by or under any law for the time being in force; and
  - determining the strength and the terms and conditions of services of the personal staff of Ministers.
- ❖ No Department shall without the concurrence of the Establishment and Administration Department authorize any orders, other than orders in pursuance of any general or special delegation made by the Establishment and Administration Department, which involve:
  - reduction or extension in the scope of functions of a Department as given in Schedule-II or the transfer of such functions from one Department to another;
  - re-organization or change in the status of offices in the Secretariat or Attached Departments;
  - interpretation of rules and orders relating to service matters other than rules and orders issued by the Finance Department; and
  - any change in the terms and conditions of service or the statutory rights and privileges of Government servants.
- ❖ No order in respect of the emoluments, promotion or conditions of service of any officer employed in the Finance Department shall be passed and no expenditure proposal relating to that Department sanctioned without prior concurrence of the Establishment and

Administration Department. The Chief Secretary shall exercise, in respect of such matters, the functions of the Secretary, Finance Department.

**Audit Profile of Administration Department;**

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	10	02	1,444.871	N/A
2	<ul style="list-style-type: none"> <li>• Assignment Account</li> <li>• SDA</li> <li>• Etc (Excluding FAP)</li> </ul>	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

**2.1 B) Comments on budget and accounts (variance analysis)**

**Summary of the Appropriation Accounts:**

The summarized position of actual expenditure 2018-19 against the total of grants/appropriation was as follows:

<b>Non-Development;</b>					<b>(Rs.)</b>	
Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
2-General Administration	NC21	4,672,448,000	0	4,672,448,000	2,328,161,405	(2,344,286,595)
2-General Administration	NC24	643,969,000	0	643,969,000	200,151,946	(443,817,054)
<b>Total</b>		<b>5,316,417,000</b>	<b>0</b>	<b>5,316,417,000</b>	<b>2,528,313,351</b>	<b>(2,788,103,649)</b>

**Development****(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Grant No 50 General Administration	NC22	55,000,000	0	13,397,000	13,397,361	361
	NC22	80,389,000	0	84,798,000	86,076,738	1,278,738
	NC22	197,422,000	0	79,496,000	80,010,037	514,037
	NC22	114,468,000	0	97,365,000	98,327,276	962,276
	NC12	15,362,000	0	10,703,000	10,703,338	338
	NC12	7,000,532,000	0	700,526,000	700,526,000	0
<b>Total</b>		<b>7,463,173,000</b>	<b>0</b>	<b>986,285,000</b>	<b>989,040,750</b>	<b>2,755,750</b>

**Overview of expenditure against the final grant;****(Rs. in million)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	5,316.42	2,528.31	(2,788.10)	(52.44)
Development	986.29	989.04	2.76	0.28
<b>Total</b>	<b>6,302.70</b>	<b>3,517.35</b>	<b>(2,785.34)</b>	<b>(44.19)</b>

The above analysis shows that the non-developmental budget could not be utilized and 52.44% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved. While developmental budget on the other hand has been overspent which indicates poor SAP controls because it has allowed spending over the allocated amount.

**2.2 Classified Summary of Audit Observations**

Audit observations amounting to Rs. 476.870 million were raised in this report during the current audit of Administration Department. This amount also includes recoveries of Rs. 5.393 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

### Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	375,186,087
3	Irregularities	
A	HR/Employees related irregularities	1,200,000
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	95,091,246
5	Others	5,393,671

### 2.3 Brief comments on the status of compliance with PAC directives:-

SNo	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial complianc	Nil compliance
1	2001-02	Establishment & Administration	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06

## **2.4 Audit Paras**

### **2.4.1 Non-recovery of Civil Secretariat cafeteria rent - Rs. 2.799 million**

According to the agreement dated 12-03-2018 executed between Secretary Establishment and Administration Department and Mr. Miraj Khan Khalil, the cafeteria of Civil Secretariat Peshawar was rented at 210,000/- per month for five years.

During audit of Establishment & Administration Department for the Financial Year 2018-19, it was observed that the contract of the Cafeteria, Civil Secretariat was awarded to M/S Miraj Khan Khalil S/O Taj Muhammad Government Contractors on 12 March 2018 at a monthly rent of Rs. 210,000/- for five years. Further scrutiny of the record revealed that the total rent of Rs. 4,118,709/- was due up to October 2019. The contractor deposited Rs.1,320,000/- and Rs. 2,798,709/- was outstanding against the contractor. The department did not take any serious action against the contractor to recover the dues according to the contract agreement.

Audit held that the lapse occurred due to violation of contract agreement

When pointed out in November, 2019, the management replied that we will submit detailed reply after consulting the relevant record and respond accordingly. Detail reply is awaited.

Audit requested the department for holding DAC meeting vide letter dated 12-12-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery.

**AP No. 47 (2018-19)**

### **2.4.2 Non-recovery of outstanding rent of illegal house occupation- Rs.2.595 million**

According to Rule-23 of Residential Accommodation Allotment Rules 2015, the Estate Office shall carry out the ejection of Trespassers (un-authorized occupants) without serving any notice and FIR shall be lodged against them and the utility services like electricity, gas, water, and telephone be disconnected. Double market rent of the house occupied shall be charged

for each month for an entire period of un-authorized occupation and disciplinary action shall be taken.

During audit of the Establishment & Administration Department for the Financial Year 2018-19, it was observed from the Estate Office records that House No. 12-C Civil Colony Warsak Road Peshawar was allotted to Mr. Zarwali Khan Headmaster GMS Irrigation Colony. The officer retired from service and illegally occupied house without vacation with effect from 18.04.2016 to December 2018 for which Rs. 2,594,562/- was outstanding against him and not deposited by the occupant.

Detail of outstanding dues calculated by the Estate Office was as under:-

- |  |                         |
|--|-------------------------|
| 1. Rent of 6 months grace period                 | Rs. 41,661.00           |
| 2. Rent of illegal period @ Rs.83708/- per month | <u>Rs. 2,552,901.00</u> |
| Total Rs.  | 2,594,562.00            |

The lapse occurred due to non-observance of rules & regulation.

When pointed out in November, 2019, the management stated that the detailed reply will be given after consulting the relevant record and respond accordingly. Detail reply is awaited.

Audit requested the department for holding DAC meeting vide letter dated 12-12-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery.

**AP 48 (2018-19)**

#### **2.4.3 Irregular expenditure on various purchases - Rs. 31.091 million**

According to S.No.1 Chapter-II of Khyber Pakhtunkhwa Public Procurement Rules 2014, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 100,000 (rupees one hundred thousand).

During audit of the Chief Minister Secretariat for the Financial Year 2017-18, it was observed that expenditure of Rs. 31,091,246 was incurred on the purchase of Office Stationery, Entertainment charges, Machinery & Equipments, Furniture, Repair of Transport, Machinery & Equipment, Furniture & Fixture and Repair of Office Building. (As detailed below):

<b>S.No.</b>	<b>Object Head</b>	<b>Expenditure incurred (Rs)</b>
1	Office Stationery	2,600,461
2	Purchase of Plant & Machinery	2,999,989
3	Purchase of Furniture	1,499,995
4	Repair of Transport	17,000,000
5	Repair of Machinery & Equipment	2,530,980
6	Repair of Furniture & Fixture	1,373,000
7	Repair of Office Building	3,086,821
<b>Total</b>		<b>31,091,246</b>

Audit raised the following observations:

1. The expenditure on each category exceeded Rs. 100,000 but an open tender system was not adopted, hence resulted in un-economical expenditure.
2. The expenditure was split up to avoid sanction of the next higher authority.
3. The purchase committee was also not constituted for the purpose.

Thus, the expenditure of Rs. 31,091,246 was held irregular.

The lapse occurred due to a violation of rules and regulations.

When pointed out in December-2018, it was replied that efforts will be made to avoid non-adopting open tender system in the future.

The DAC meeting was held on 24.10.2019, the department stated that all the codal formalities were duly complied with and supporting documents are available. DAC directed to verify the relevant record/documents. However, the record was not produced to audit for verification till the finalization of this report.

Audit recommends implementing the DAC decision.

**AP No. 438 (2017-18)**

#### **2.4.4 Doubtful expenditure on account of discretionary grant- Rs 300 million**

According to Rule 187 of Central Treasury Rules, all payments should be made through cross cheques issued on the vendor number of the

contractor/supplier instead of payment through DDO of the concerned department.

During audit of the Chief Minister Secretariat for Financial Year 2017-18, it was observed that a sum of Rs 300 million was paid on simple applications on account of discretionary grant. Further scrutiny of the record revealed that 63% of payments were made to the people of District Nowshera even though the fund was for the entire province. Moreover, the remaining 37% payment was made to the staff of Chief Minister Secretariat and other applicants from the districts. Audit held that drawl of the discretionary grant through the DDO and its disbursement in cash among applicants instead of cross cheques was a serious violation.

The lapse occurred due to a violation of rules and regulations.

When pointed out in December-2018, it was replied that efforts will be made to avoid irregularity in the future.

The DAC meeting was held on 24.10.2019, the department stated that all codal formalities have complied. DAC did not agree and directed verification of record. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementing the DAC decision.

**AP No. 440 (2017-18)**

#### **2.4.5 Irregular expenditure on account of entertainment charges - Rs.75.186 million**

According to Rule 187 of Central Treasury Rules, all payments should be made through cross cheques issued on the vendor number of the contractor/supplier instead of payment through DDO of the concerned department.

During audit of the Chief Minister Secretariat for the Financial Year 2017-18, it was observed that expenditure of Rs. 75,186,067 was incurred on Entertainment Charges. The expenditure was held doubtful on the following grounds:

1. No details of participants for light refreshment lunch/dinner, Iftar Dinner was available on record.

2. No supporting vouchers for the purchase of food items were available on record.
3. Each entertainment bill comprised of 120 to 390 numbers while the KP House Islamabad cannot accommodate such number of persons in one meeting.
4. No record for the food items purchased/consumed per day/per month etc. was available on record.
5. All the payments were made through DDO.
6. No acknowledgment from the supplier/firm was available on record to authenticate the payments.
7. Neither acknowledgments for the payments made through DDO were available on record nor did details of the catering firm/person found attach with bills.

The expenditure of Rs. 64.00 million thus held irregular.

The lapse occurred due to a violation of rules.

When pointed out in December-2018, it was replied that efforts will be made to avoid irregularity in the future.

The DAC meeting was held on 24.10.2019, the department stated that the expenditure incurred on entertainment was duly supported by relevant documents. DAC directed to verify the record. However, the record was not produced to Audit till the finalization of this report.

Audit recommends implementing the DAC decision.

**AP No. 441 & 444 (2017-18)**

#### **2.4.6 Illegal retention of Government accommodation by husband and wife and non-deduction of rent at market rate Rs. 12.00 million**

According to Rule 3 (3) of the Allotment Rules 2018, state that both husband and wife cannot retain government accommodation. In case of violation of rule both the residential accommodation shall be canceled, and they shall be charged as per market rate for the duration of possession of additional accommodation, in addition to initiating disciplinary proceedings against them under the relevant disciplinary rules.

During audit of the Establishment & Administration Department for the Financial Year 2018-2019, it was observed from Estate Office record that

House No. C-4/525, Phase -V Hayatabad was allotted to Mr. Fahad Ikram Qazi, Dy. Coordinator PMRU o/o Chief Secretary, and House No. 526 (A) Hayatabad to Mrs. Hina Hafeez PMS (BPS-17) Section officer Finance Department. It was revealed that both were husband and wife. The Estate Office issued a notice to both officers for the vacation of illegally occupied one house as per rule or paid rent as per market rate but the same was neither vacated nor rent paid till date of audit.

Audit is of the view that House Rent at market rate Rs. 100,000/- per month as per rule was required to have been recovered from their pay amounting to Rs. 1,200,000/- (100,000 X 12= 1,200,000/), for the period of illegal retention of house, but the local office extended undue favor for not making recovery of rent at prescribed market rate from their pay.

The lapse occurred due to violation of Allotment Rules 2018.

When pointed out in November, 2019, the management stated that detailed reply will be given after consulting the relevant record. Detail reply is awaited.

Audit requested the department for holding DAC meeting vide letter dated 12-12-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP 78 (2018-19)**

## Chapter - 3

### Agriculture Department

#### 3.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Agricultural Education and Research including Agricultural University.
- ❖ Experimental and demonstration farms.
- ❖ Improvement of Agricultural methods.
- ❖ Protection against insects and pests and prevention of plant diseases.
- ❖ Government gardens, including Botanical and Zoological gardens.
- ❖ Agricultural Engineering, mechanized cultivation and soil conservation.
- ❖ Improvement of varieties, its nutritional requirements and maintenance of soil fertility in research wings.
- ❖ Improvement of Livestock.
- ❖ Prevention of animal diseases.
- ❖ Veterinary Training and Research.
- ❖ Prevention of cruelty to animals.
- ❖ Zoological Survey.

#### Audit Profile of Agriculture Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	98	03	397.627	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc</li></ul> (Excluding FAP)	01	01	8.965	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

### 3.1 B) Comments on budget and accounts (variance analysis)

#### Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2018-19 is given below:

#### Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
18-Agriculture	NC21	2,874,823,000	60	2,874,823,060	1,765,441,868	(1,109,381,192)
19- Animal Husbandry	NC21	1,314,303,000	20	1,314,303,020	980,724,095	(333,578,925)
20- Co-operation	NC21	34,383,000	30	34,383,030	31,983,924	(2,419,106)
23-Fisheries	NC21	146,482,000	10	146,482,010	113,743,646	(32,738,364)
<b>Total</b>		<b>4,369,991,000</b>	<b>120</b>	<b>4,369,991,120</b>	<b>2,891,893,533</b>	<b>(1,478,117,587)</b>

#### Development;

(Rs.)

Grant # (Prov) NC12 & 22 and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Agriculture	NC22	2,253,223,000	0	2,143,046,000	2,139,789,430	(3,256,570)
	NC12	319,777,000	0	169,623,000	169,263,033	(359,967)
<b>Total</b>		<b>2,573,000,000</b>	<b>0</b>	<b>2,312,669,000</b>	<b>2,309,052,463</b>	<b>(3,616,537)</b>

#### Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4,369.991	2,891.894	(1,478.118)	<b>(33.82)</b>
Development	2,312.669	2,309.052	(3.617)	<b>(0.16)</b>
<b>Total</b>	<b>6,682.66</b>	<b>3,365.499</b>	<b>(1,481.735)</b>	<b>(22.17)</b>

The above analysis shows that both the non-developmental and developmental budgets could not be utilized. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

### 3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 296.400 million were raised in this report during the current audit of Agriculture Department. This amount also includes recoveries of Rs. 21.089 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

#### Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	155,072,390
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	4,150,758
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	137,177,500

### 3.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2001-02	Agriculture	20	20	-	-
2.	2002-03	-do-	10	06	-	04
3.	2003-04	-do-	06	05	-	01
4.	2004-05	-do-	09	02	-	07
5.	2005-06	-do-	02	-	-	02
6.	2007-08	-do-	06	03	-	03
7.	2008-09	-do-	06	04	-	02
8.	2009-10	-do-	13	04	-	09
9.	2010-11	-do-	33	17	-	16
10.	2011-12	-do-	07	07	-	-
11.	2012-13	-do-	02	-	-	02
12.	2013-14	-do-	17	06	-	11
13.	2014-15	-do-	15	06	-	09

### **3.4 Audit Paras**

#### **3.4.1 Loss to government due to mis-handling of plants - Rs. 14.413 million**

According to the certificate of Committee recorded on the stock register 49026 Nos. of olive plants were reported as damaged.

During Audit of the Project Director Plantation of Five Million Olive Saplings & Maintenance of Model Farm Sangbhatti, Mardan for Financial Year 2018-19 it was observed that loss of Rs. 14,413,644/- was sustained due to showing 49026 number of plants as damaged in lath/greenhouse as evident from the end users stock register. Further scrutiny of record of M/S RSS Agri & Allied Services revealed that all of the imported plants were supplied and payment made accordingly. However, the stock register showed 49026 plants costing Rs 14,413,644/- as damaged.

The lapse occurred due to negligence of the department.

When pointed out in November 2019, the department furnished no reply.

Audit requested the department for holding DAC meeting vide letter dated 28.11.2019. However, no DAC was convened till the finalization of this report.

Audit recommends recovery besides investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 36 (2018-19)**

#### **3.4.2 Loss to government due to non-recovery of rent of land- Rs. 1.162 million**

According to Para 8.2.3.2 of the Accounting Policies and Procedure Manual (APPM), Government employees shall also be held personally responsible for any loss or deficiency arising from theft, robbery, fraud or negligence on the part of any other government officer, to the extent to which it may be shown that the officer concerned contributed to the loss or deficiency by his/her own action or negligence.

During Audit of Directorate General Agriculture Extension Khyber Pakhtunkhwa Peshawar for Financial Year 2017-18 it was observed that the District Director Agriculture DI Khan leased out 450 Kanal land in Rakh Zandani and 140 Kanal in Ratta-Kulachi Seed Farms to private persons for the sowing of Barseem at the rate of Rs.3500 per Kanal.

Audit observed that;

- 1 The approval of competent authority for the rate of Rs. 3500 per Kanal was not provided to Audit.
- 2 List of growers/ tenants was not produced for verification.
- 3 An amount of Rs.1,162,500/- as per the following detail was still outstanding.

S.No	Name of Farm	Total Land (Kanal)	Amount Recovered Rs.	Amount Outstanding Rs.
1	RakhZandani	250	373,500	501,500
2	RattaKulachi	140	329,000	161,000
3	RakhZandani	200	200,000	500,000
<b>Total</b>		<b>590</b>	<b>902,500</b>	<b>1,162,500</b>

The lapse occurred due to weak internal controls.

When pointed out in April 2019, the department stated that a detailed reply will be given after consulting the relevant record.

The observation was intimated to the department vide letter dated 05-03-2019 and DO letter dated 10-10-2019 for convening DAC meeting. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No.37 (2017-18)**

### **3.4.3 Un-authorized retention of assets of closed project - Rs. 136.015 million**

According to Para 8.2.3.2 of the Accounting Policies and Procedure Manual (APPM), Government employees shall also be held personally responsible for any loss or deficiency arising from theft, robbery, fraud or negligence on the part of any other government officer, to the extent to which it may be shown that the officer concerned contributed to the loss or deficiency by his/her own action or negligence.

During Audit of the Project Director Plantation of Five Million Olive Saplings & Maintenance of Model Farm Sangbhatti Mardan for Financial Year 2018-19, it was observed that the PDWP meeting held on 26-06-2019 decided to close the scheme titled "Plantation of Five Million Olive Saplings & Maintenance of Model Farm Sangbhatti" . After the closure of the project, the assets including generators, desktop computers, laptops, vehicles, split ACs, water tankers, photocopiers, and a camera, etc of Rs 136.015 million should have been returned to the Administrative Secretary for onward transfer to Administration Deptt, which was not done.

The lapse occurred due to weak internal controls.

When pointed out in November 2019, the department furnished no reply.

Audit requested the department for holding DAC meeting vide letter dated 28.11.2019. However, no DAC was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 48 (2018-19)**

#### **3.4.4 Illegal/ irregular distribution of Olive plants-Rs. 135.145 million**

According to PC-I (2) "Plantation of Olive Orchard" Page#6 the following criteria shall be followed for selection of orchard establishment.

1. Survey for suitability of the applicants shall be carried out in respective districts in association with the station director/scientists and field staff of the agriculture Research Station/Institutes.
2. Proof of Ownership of land of the applicant.
3. Follow up visits/technical back up by the scientists and field staffs of Agriculture Research Station/Institutes.

During Audit of the Project Director Plantation of Five Million Olive Saplings & Maintenance of Model Farm Sangbhatti Mardan for Financial Year 2018-19, it was observed that olive plants amounting to Rs. 135,145,600/- were distributed free of cost amongst the farmers without fulfillment of the required criteria mentioned in the PC-I. The distribution of plants amounting to Rs 135,145,600/- was held illegal and irregular. Furthermore, in the absence of

field visits, it could not be ascertained whether the plants distributed amongst the farmers were planted or not.

The Monitoring Report of P& D Department also supported audit contention. The Clause-4 of the said report provides that the survey before the plantation of Olive plants was ignored and the department has no internal monitoring system. The focal person of the Olive project is selected from ARI Tarnab who never visited any field of Olive plantation.

Audit held that the distribution of plants worth Rs. 135,145,600/- was illegal & irregular.

The lapse occurred due to weak internal controls.

When pointed out in November 2019, the department furnished no reply.

Audit requested the department for holding DAC meeting vide letter dated 28.11.2019. However, no DAC was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person (s) at fault.

**AP No. 35 (2018-19)**

#### **3.4.5 Irregular payment on Drip Irrigation System- Rs. 4.150 million**

According to Director General Agriculture Research System Notification No-2871-83/DGAR/Estt dated 27-02-2018, the following technical & evaluation committee was constituted for Drip Irrigation System in various Districts in Provincial ADP Scheme "Plantation of Five Million Olive Saplings in KPP & maintenance of Model Farm Sangbhatti, ARI Tarnab Peshawar". The Committee will physically inspect the potential site, evaluate the Technical Feasibility of the Survey conducting by the contracting company, check the quality of the material supplied and prepare the installation report of the site being laid down.

1. Respective Director of the Institute/station of the concerned district/region or his representative not less than BS-18 (Convener of the committee).
2. Respective District Director of the Water Management Department or his representative not less than BS-17.

3. Dr. Bashirullah Assistant Director Planning, Director General Agriculture University Peshawar.
4. Mr. Zubair Shah SRO/Focal person Olive Project CCRI Pirsabak.

During Audit of the Project Director Plantation of Five Million Olive Saplings & Maintenance of Model Farm Sangbhatti Mardan for Financial Year 2018-19, it was observed that the payment of Rs. 4,150,758/- was made to the contractor M/S Natural Resources Management Technologies for the work "Installation of Drip Irrigation System at Block C-3 & C-4 CCRI Pirsabak". The committee constituted for the purpose, neither inspected the potential site & evaluated the technical feasibility of the survey conducted by the contracting company nor checked the quality of the material at the site. The installation report of the Drip Irrigation System at site was the responsibility of the committee which was also not done.

Audit held that the committee did not perform the duties i.e. inspection of the Installation of Drip Irrigation System at CCRI Pirsabak.

The lapse occurred due to weak internal controls and non-observance of rules/regulations.

When pointed out in November 2019, the department furnished no reply.

Audit requested the department for holding DAC meeting vide letter dated 28.11.2019. However, no DAC was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person (s) at fault.

**AP No. 37 (2018-19)**

## Chapter – 4

### Communication & Works Department

#### 4.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of :

- ❖ Acquisition and development of sites for construction of government buildings
- ❖ Registration of contractors
- ❖ Implementation of various schemes of the provincial departments
- ❖ Construction of government owned buildings
- ❖ Maintenance and repair of government owned buildings
- ❖ Construction of provincial highways and roads
- ❖ Maintenance and repair of provincial highways and roads

#### Audit Profile of Communication & Works Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	120	11	2,008.781	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc (Excluding FAP)</li></ul>	09	01	6.591	N/A
3	Authorities/Autonomous bodies etc under PAO	01	01	3,266.647	N/A
4	Foreign Aided Projects (FAP)	03	03	3,243.644	N/A

#### 4.1 B) Comments on budget & accounts (variance analysis)

##### Summary of the Appropriation Accounts:

A summary of grants allocated to Communication and Works Department and expenditure by the department in financial year 2018-19 is given below:

**Non-Development;****(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
14-Communication and Works	NC21	3,058,935,000	20,280,000	3,079,215,000	2,895,497,784	(183,717,216)
15-Roads, Highways, Bridges Buildings and Structures (Repair)	NC21	3,983,707,000	0	3,983,707,000	3,196,238,057	(787,468,943)
	NC24	4,015,000	0	4,015,000	1,853,227	(2,161,773)
<b>Total</b>		<b>7,046,657,000</b>	<b>20,280,000</b>	<b>7,066,937,000</b>	<b>6,093,589,068</b>	<b>(973,347,932)</b>

**Development;****(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Grant No 56	NC12	9,204,000,000	6862931000	16,066,931,000	16,025,290,904	(41,640,096)
Building and Structure	NC12	3,648,627,000	0	3,951,546,000	3,690,143,453	(261,402,547)
Building and Structure	NC22	529,021,000	0	259,253,000	473,702,140	214,449,140
<b>Total</b>		<b>13,381,648,000</b>	<b>0</b>	<b>20,277,730,000</b>	<b>20,189,136,497</b>	<b>(88,593,503)</b>

**Overview of expenditure against the final grant;****(Rs. in million)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	7,066.94	6,093.59	(973.35)	(13.77)
Development	20,277.73	20,189.14	(88.59)	(0.44)
<b>Total</b>	<b>27,344.67</b>	<b>26,282.73</b>	<b>(1,061.94)</b>	<b>(3.88)</b>

The above analysis shows that both the non-developmental and developmental budgets could not be utilized. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

## 4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 3,935.856 million were raised in this report during the current audit of Communication & Works Department. This amount also includes recoveries of Rs. 583.741 million was pointed out by the audit. Summary of the audit observations classified by nature is as under:

### Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	1,359,410,000
2	Reported cases of fraud, embezzlement and Misappropriation	48,686,291
3	Irregularities	
A	HR/Employees related irregularities	94,021,000
B	Procurement related irregularities	2,066,196,831
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	230,866,325
5	Others	136,675,822

## 4.3 Brief comments on the status of compliance with PAC directives

S.No	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	C&W	40	28	-	12
2	2002-03	-do-	20	09	-	11
3	2003-04	-do-	20	09	-	11
4	2004-05	-do-	28	13	-	15
5	2005-06	-do-	15	09	-	06
6	2007-08	-do-	03	02	-	01
7	2008-09	-do-	06	04	-	02
8	2009-10	-do-	14	11	-	03
9	2010-11	-do-	38	26	-	12
10	2011-12	-do-	07	06	-	01
11	2012-13	-do-	10	05	-	05
12	2013-14	-do-	30	09	-	21
13	2014-15	-do-	26	20	-	06

## 4.4 Audit Paras

### 4.4.1 Non-production of record of arbitration cases of contracts -Rs. 1359.41 million

Article-14 (293) of the Auditor General of Pakistan ordinance 2001 read with Para-17 of GFR Vol-I provides that the controlling officer is responsible to produce all auditable record to audit for verification. No such information nor any books, or other documents to which the Auditor General has a statutory right of access, may be withheld from him.

During audit of the Emergency Rural Roads Rehabilitation Project for the Financial Year 2018-19, it was observed that the following cases were referred to arbitration in the said project for revision of quantities as well as rates of items of work required to be executed in the following cases having a contract cost of Rs. 1257.85 million and later on enhanced to Rs 1359.41 million, which resulted into claim of millions of rupees but no relevant record i.e. amount of claim, arbitration broacher, dispute case files forwarded to competent forum for approval, and other relevant measures were taken by the PD PMU for settlement of the following cases, e.g. in LCB NO. 20 the contractor "M/s Khattak Allied "referred the claim amounting to Rs. 70.00 million (approx.) during 2018-19 but no detail case record were provided by the PD PMU for detail scrutiny which made all the arbitration cases unverified and doubtful. (As detailed below):

Firm	Scheme	LCB NO.	Contract cost (Rs. million)	Variation (Rs. million)
Khattak Allied	Dewana Baba To Batara Road Section-II	20	282.08	289.92
Muhammad Irshad & Co.	Chitral Garam Chasma Road section-1	29	90.35	97.24
Muhammad Irshad & Co.	Chitral Garam Chasma Road section-11	30	71.58	80.69
Muhammad Irshad & Co.	Chitral Garam Chasma Road section-III	31	76.40	87.44
Muhammad Irshad & Co.	Malakand Dara Road	48	89.99	71.86
Darwish Engr	Umerzai Bazar to Chena Road	51	70.95	81.52
Kishwar & Islam	Balona To Anoro Bagh	52	99.71	140.02

Kishwar& Islam	Balona To AnoroBagh via SerkiTitara	53	88.50	117.03
Prime Construction	PirBala to Pir Kala Rd	54	140.29	135.93
Fayaz Khan	PirBala to Pir Kala Rd section V	58	134.81	135.93
Muhammad Ibrahim	Baba seri to Kingergali Road	73	113.19	121.83
<b>Total</b>			<b>1257.85</b>	<b>1359.41</b>

Audit held that in almost all the above-cited schemes various items of work related to Earthwork, Payment or in other bills shows ill planning, defective designing and incorrect engineering estimates made by the NESPAK consultants on one hand and created loopholes for contractors to revise the quantities and rates through arbitration on the other hand.

When pointed out in August 2019, it was replied by the management that cases for arbitration have been started as per FIDIC clause 20 and proceedings of the arbitration are under process as per contract agreement, therefore, the PMU did not reveal the outcome of the arbitration till its award.

The values of the cases under observations are more than Rs. 1359.41 million which is a considerable amount. PMU needs to properly pursue the cases and record produce to Audit.

In the DAC meeting held on 31-10-2019, the DAC directed to provide decision of arbitration in due course of time which was not provided till finalization of this report.

Audit recommends implementation of DAC decision.

**AP No. 119 (2018-19)**

#### **4.4.2 Suspected misappropriation of dismantled material worth millions of rupees**

According to Article 3.10 (2) (C) of the B&R Code, when buildings are to be dismantled, a demolition statement in the form given below should be prepared and send for sanction of the competent authority.

During audit of the Executive Engineer Building Division Swat for the Financial Year 2017-18, it was observed that expenditure to the tune of

Rs.3,918,008/- was incurred on dismantling of various items of work. (As per details given below):

- a) Government Higher Secondary School Balogram (voucher dated 29.03.2018)

Item of work	Quantity	Rate	Amount (Rs)
Dismantling stone masonry in lime	293490 Cft	1687.5/1000Cft	495,264
Dismantling RCC separating steel	43020 Cft	10125/1000Cft	435,578
Dismantling Brickwork in lime	25160 Cft	2390.63/1000Cft	60,151
Removing doors & Chowkat	34 No	281.25 per No	9,563
Stripping & stacking of CGI sheet roofing	83.18 Sft	643.50 per Sft	53,526
Add area factor 8% above			84,327
Dismantling of wooden trusses & planks	13589 Sft	80 per Sft	1,087,130
<b>Total</b>			<b>2,225,539</b>

- b) Government Higher Secondary School Kabal (Voucher dated 19.10.2017)

Item of work	Quantity	Rate	Amount (Rs)
Dismantling RCC separating steel	762719 Sft	10125/1000 Sft +8%	834,033
Dismantling Brickwork in lime	1136660 Cft	2390.60 /1000 Cft +8%	293,472
Removing doors & Chowkat	40	12510 per +8%	540,000
Removing window & skylight	105	202.5 +8%	22,964
<b>Total</b>			<b>1,690,469</b>

The dismantled material (worth cannot be determined) was required to have been taken in custody and properly auctioned. The local office neither prepared the report required vide B&R Code nor was the material taken in custody auctioned. The same was misappropriated.

When pointed in June 2019, the department stated that the dismantled material was handed over to the client department and they disposed it of accordingly.

Audit requested the department for holding of the DAC meeting vide letter dated 24-07-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 325 (2017-18)**

**4.4.3 Misappropriation on account of undue dismantling and placing PCC (1:2:4) - Rs. 5.094 million**

According to para-1.58 of B&R code, Divisional officers are immediately responsible for proper maintenance of all works in their charge and fo

r the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

During audit of the Executive Engineer C&W Division Swabi for the Financial Year 2017-18, it was observed that the contract for the “Construction Rehabilitation of Zaida-Kaddi Road 4 KM” was awarded to M/S Sabzal Nawab and was allowed an up-to-date payment of Rs. 5.897 million up to 1<sup>st</sup> running bill vide voucher dated 08-05-2018. Scrutiny of the bill revealed that the contractor executed dismantling of existing PCC 1:2:4 up to a quantity of 615.85 M3 and again placed new PCC 1:2:4. Further verification of the BOQ, detailed estimate and other documents revealed that neither such item was approved nor required at the site. Therefore, dismantling and then placing a new PCC seems unnecessary and unjustified and the amount seems to be misappropriated by the dealing hands, details given below.

Dismantling of PCC (1:2:4)	615.85 M3 @ Rs. 2185.10/M3 =	1,345,694/-
Placing of PCC (1:2:4)	615.85 M3 @ Rs. 7257.86/M3=	<u>4,459,753/-</u>
Total overpayment		5,815,447/-
D/d Rebate 12.25%		<u>711,167/-</u>
<b>Payment Allowed</b>		<b>5,094,280/-</b>

Audit held that the item of work was not approved as technical sanction was not available on the record of the office. The execution of un-approved items of dismantling and again relaying of PCC was unnecessary which lead to suspected misappropriation.

The lapse occurred due to weak administrative controls and financial mismanagement.

When pointed out in December 2018, the department replied that a final reply will be submitted after verification of record.

Audit requested the department for holding of the DAC meeting vide letters dated 07-10-2019 and dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 37 (2017-18)**

#### **4.4.4 Loss due to non-deduction of Sales Tax on Services - Rs 128.562 million**

According to Rule 28 & 37 of the Government of Khyber Pakhtunkhwa, Khyber Pakhtunkhwa Revenue Authority (KPRA) working tariff taxable services as per second schedule to the Khyber Pakhtunkhwa Finance Act, 2013, 15 % sales tax is to be recoverable on the services provided by Consultants read with the contract agreement between C & W Department and Consultant, clause 1.10, the consultant shall pay all taxes and duties levied by the client country without reimbursement by the client.

During audit of the Emergency Rural Roads Rehabilitation Project for the Financial Year 2017-18, it was observed that a sum of Rs. 857,081,666/- was paid to NESPAK for their consultancy services. However, sales tax on services @15% was not deducted from the consultant, resulting in a loss of Rs. 128,562,249/- which needs recovery.

The lapse occurred due to weak internal controls and non-observance of contract agreement.

When pointed out in February 2019, the department replied that M/S NESPAK is a well reputed-Government: Consultancy organization working under the Ministry of Water & Power and all the taxes are deposited by the

firm directly to FBR through their annual returns. It is worth noting that payment to M/S NESPAK had not been made during the auditable year 2017-18. Furthermore, payment to the consultant has directly been made by the donor.

In the DAC meeting held on 07 & 08-10-2019, the department stated that the case was sub-judice in the Peshawar High Court and MS NEAPAK is a registered firm/entity with the KPPRA and they submit their return regularly with the KPPRA. Furthermore, a notification in this regard has also been made by KPPRA regarding sales tax at the rate 2% notified w.e.f 01/07/2019 in all previous agreement made have been exempted. However, DAC did not agree and directed that para stands.

Audit recommends recovery of the Sales Tax on services and fixing responsibility against the person(s) at fault.

**AP No. 254 (2017-18)**

**4.4.5 Loss due to non-imposition of penalty on the contractors-Rs. 80.104 million**

According to Clause 2 of contract agreement executed with the contractor, liquidated damages for delay equal to 1 % of the contract price per day subject to a maximum of 10% of the contract price stated in the letter of acceptance would be recoverable.

During audit of the Executive Engineer C&W Division Haripur for the Financial Year 2017-18, it was observed that different schemes were executed which were awarded to the contractors, for accumulated bid cost of Rs. 801.07. The schemes should have been completed within their stipulated time as mentioned in the acceptance letter. In case of delay in finalization, the Engineer in-charge was required to impose a 10 % penalty amounting to Rs. 47.609 million in the following cases, by invoking Clause-2 of the Contract Agreements, which was not done. (As detailed below):

<b>Contractor</b>	<b>Work</b>	<b>Bid cost</b>	<b>Commct: Date</b>	<b>Completion Date</b>	<b>penalty @ 10% (Rs. million)</b>
M/S Lodhi & Co.	Construction of Akhoon Bandi to Magri Road	106.819	19-05-2015	19-05-2016	10.681
M/S Najeeb Ullah	Jhari Kas Road 3.50 Km	33.108	22-11-2016	22-08-2017	3.310
M/S Muhmmad Urfan	Const: of Judicial Complex at Haripur	336.188	30-4-2013	30-4-2016	33.618
M/S Tahir Rehman	Salam Khund to Sira 10 KM road Package-I	217.691	5-5-2015	5-5-2016	21.769

M/S Attaullah khan Trand	Salam Khund to Sira 10 KM road Package-II	107.264	20-08-2015	20-08-2016	10.726
				<b>Total</b>	<b>80.104</b>

Audit held that non-completion of the said schemes not only deprived the beneficiaries of the schemes but has increased its cost because all the schemes were still in progress and not completed till the date of audit.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in October 2019, the department stated that a detailed reply will be furnished after consulting of record.

Audit requested the department for holding of the DAC meeting vide letters dated 07-10-2019 and dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 139 (2017-18)**

#### **4.4.6 Loss due to non-recovery of rent from the illegal occupants - Rs.42.00 million**

According to Rule 7 of CTR Volume-I read with para 26 of GFR Vol-I, it is the duty of the departmental controlling officers to see that all sum due to government are regularly and promptly assessed, realized and duly credited in public account.

During audit of the Executive Engineer Provincial Building Maintenance Cell for the Financial Year 2014-15, it was observed that rent of 24 Shops and 11 Flats was collected @ Rs.37 to Rs.53 per month per shop/flat, which were further sub-let by the occupants. The proper record was neither maintained nor available. Further scrutiny of record revealed that in this regard Chief Minister Khyber Pakhtunkhwa had approved a summary on 18.11.2014 for vacation of the shops and flats and construction of plaza on Built Operate Transfer (BOT) basis, which was not implemented till the date of audit. (As detailed below):

Details of Shops and Flats in Khyber Bazar Peshawar		Approximately Annual Rent
Particulars	Location	
24 No Shops	Khyber Bazar, Adjacent to LRH, Pesh	1952= 24 x 100,000 x 12=28.800
11 No Flats	-do-	1961=11 x 100000 x 13.20
		<b>Rs.42.000 million</b>

The lapse occurred due to weak internal controls.

When pointed out in January 2016, the department replied that the government has decided to construct Multipurpose Plaza on the land paperwork was in progress.

In the DAC meeting held on 27-04-2017, the department stated that rent of 24 of shops and 11 flats in Khyber Bazar for the Year 2014-15 has been recovered and duly credited into the government treasury. DAC didn't agree and directed that fact-finding inquiry should be conducted within 30 days under intimation to audit. The inquiry report was received on 14-10-2019, the inquiry officer stated that the stay order provided by tenants was defective.

Audit recommends recovery.

**AP No. 141 (2014-15)**

**4.4.7 Loss due to non-imposition of penalty on the contractors- Rs.37.914 million**

According to Clause 2 of contract agreement executed with the contractor, liquidated damages for delay equal to 1 % of the contract price per day subject to a maximum of 10% of the contract price stated in the letter of acceptance would be recoverable.

During audit of the Executive Engineer C&W Division Haripur for the Financial Year 2018-19, it was observed that different schemes were executed which were awarded to the contractors, for accumulated bid cost of Rs. 801.07 million. The schemes should have been completed within their stipulated time as mentioned in the acceptance letter. Moreover, while going through the agreement file and other relevant record, none of the following contractors recorded any grievances regarding the non-availability of funds in their initial applications. In case of delay in finalization, the Engineer-In-Charge was required to impose 10 % penalty, amounting to Rs. 37.914 million by invoking Clause-2 of the contract agreements, which was not done. (As detailed below):

Contractor	Work	Bid cost	Commct date	Completion Date	penalty @10% (Rs. in million)
M/S Shah & Co.	Const: of Lawyer Shed	45.944	14-2-2018	14-2-2019	4.594
M/S Trand Construction Co.	Judicial Complex Balance work	115.510	14-2-2018	14-2-2019	11.551
M/S TahirRehman	Salam Khund to Sira 10 KM road Package-I	217.691	5-5-2015	5-5-2016	21.769

<b>Total</b>	<b>37.914</b>
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Audit held that non-completion of the said schemes has not only deprived the beneficiaries of the schemes but has increased their cost as well and all the schemes were in-process and not finalized till the date of audit.

The lapse occurred due to weak internal controls.

When pointed out in October 2019, the department stated that a detailed reply will be furnished after consulting of record.

Audit requested the department for holding of the DAC meeting vide letter dated 31.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 57 (2018-19)**

**4.4.8 Loss to government due to non-deduction of stone – Rs 32.506 million**

According to International Federation of Consulting Engineers (FIDIC), Conditions of Contract for Construction, clause 4.1, the contractor shall be responsible for the adequacy, stability, and safety of all site operations and of all methods of construction, read with Para 23 of GFR Vol-I, which states that every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the government through fraud or negligence on his part or on the part of his subordinate.

During audit of the Pakhtunkhwa Highways Authority Peshawar for the Financial Year 2018-19, it was observed that an overpayment of Rs. 32.506 million was made to the following contractors for construction of road on various sites as stone cost, though stones were available on site from hard rock excavation. Further scrutiny of the relevant record revealed that a quantity of 748,053 M<sup>3</sup> of roadway excavation in surplus hard rock material were executed as well as on the other hand in Retaining/Breast walls, Mass Concrete and culverts total quantity of 78,422.53 M<sup>3</sup> executed but the cost of a single stone was not deducted from the contractor by consultants as received from the hard rock cutting which resulted into a loss of Rs. 32.506 million. (As detailed below):

Contractor Name	Scheme	Material available hard rock(M3)	Particular	Qty executed
M/s Khattak Allied	Construction of NizampurKohat Road, P-1	27397	RRM	7493.364
-do-	-do-		Stone Pitching	230
-do-	-do-		RRM	2040.161
M/s Cemcon	Construction of Road from Dir upper to Sheringle (Kohistan&Patrak) P-2	324916	RRM	15022.66
-do-	Do		RRM	3368.106
M/s New khan	Construction of Road from Dir upper to Sheringle (Kohistan&Patrak) P-1	241453	RRM	16087
-do-	-do-		Mass concrete 50 % boulders	2627.478 /2=1313
-do-	-do-		RRM	7717.231
M/s DirSheringle	Construction of Road from Dir upper to Sheringle (Kohistan&Patrak) P-3	154287	RRM	22466
-do-	-do-		Mass concrete 50 % boulders	2732 /2=1366
-do-	-do-		RRM	1276
-do-	-do-		Stone pitching	42.072
		748,053		78422.53

Audit held that non-deduction of stone from the hard rock cutting resulted in loss of Rs. 32.506 (78422.53\*414.51=32,506,922) million.

The irregularity occurred due to weak internal controls and financial mismanagement.

When pointed out in October 2019, the department replied that a detailed reply will be furnished after checking the record.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery from the contractors.

**AP No. 137, 154, 162 &167 (2018-19)**

#### **4.4.9 Loss to public exchequer due to extending undue benefit to the contractor - Rs. 14.739 million**

According to clause 3.1.1 of the consultancy agreement, the consultants shall carry out their obligations with due diligence, efficiency, economy, and in accordance with generally accepted professional techniques and practices, and shall observe sound management practices, and employ appropriate/ advanced technology and safe methods. The consultants shall always act, in respect of any matter relating to their contracts or to the services, as faithful advisers to their clients, and shall at all times support and safe-guard the clients' legitimate interests in dealing with sub-consultants or third parties.

During audit of the Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2017-18, it was observed that an item of work "Embankment formation in ordinary soil & compaction by mechanical means at optimum moisture content to 90% max modified AASHTO density (borrow area)" was provided in the BOQ for a quantity of 8320 M<sup>3</sup> @ Rs. 244.31 /M<sup>3</sup> totaling to Rs.2,032,659/-. However, the consultant had deleted the said item of work and included a new item of work beneficial to the contractor M/S New Khan Builders. The new item of work comprised formation of shoulder with permeable material less than 7% form 200 sives and plasticity index less than 4, providing and laying RCC pipes sewer complete as per ASTM C-76-79 clause IIg including wall B and providing and filling sand behind the abutment of the bridges/culverts costing Rs.16,772,282/- resulting in a loss of Rs.14.739 million.

The lapse occurred due to violation of contractual provision.

When pointed out in May 2019, the department stated that this item was replaced with the most suitable and justified CSR item No.03-61-c "Formation of embankment from borrow excavation in common material including compaction by power Roller" in Variation Order as warranted under clause 51 of contract.

In the DAC meeting held on 25-11-2019, the department admitted that the loss was due to poor planning and defective consultancy. Therefore, DAC directed the Para to stand till full recovery. However, no progress was intimated to Audit till the finalization of this report.

Audit recommends implementing the DAC decision.

**AP No. 292 (2017-18)**

#### **4.4.10 Loss due to non-recovery of penalty for non-completion of work- Rs. 9.015 million**

According to Sub Divisional Officer letter dated 01-06-2018, the delay is on the part of Contractor and penalty may be imposed on the contractor as per clause of the contract agreement". According to Contract agreement (Special Stipulations) penalty at the rate of 1% of the estimated cost for every day up to 10% of the estimated cost of the work.

During audit of the Executive Engineer Building Division Nowshera for Financial Year 2017-18, it was observed that work "Construction of BHU Azakhel" was awarded to M/S SherWali Khan & Co. As per work order dated 11-03-2016, the stipulated period of completion was 12 months. Work was started in March 2016 and was required to have been completed up to March 2017. An up-to-date payment of Rs. 57,966,901/- was made to the contractor up to 30-06-2018 and the work was still in progress.

According to letter dated 01-06-2018 to the XEN Building Division Nowshera by the SDO concerned, it was stated that contractor has failed to complete the scheme on time and therefore, he need to be penalized for delay in completion of scheme. However, no penalty was imposed till the time of audit, thereby putting the government into a loss of Rs. 9,015,525

The lapse occurred due to weak internal controls and non-observance of contract agreement.

When pointed out in February 2019, the department stated that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letters dated 07-10-2019 and 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 168 (2017-18)**

#### **4.4.11 Loss due to non-recovery of taxes from consultants- Rs. 6.845 million**

According to Section -2 Sub Section -12 of the KP Finance Act 2013, Services Sale Tax at prescribed rates @ 15% should be recovered from the services providers.

During audit of the Executive Engineer C&W Division Swabi for the Financial Year 2018-19, it was observed that a sum of Rs. 45.636 million was paid to the following firms on account of consultancy services during the year and the required portion of services sale tax i.e. 1/3 should be deducted at source and 2/3 would be paid by the firms in their respective tax returns. Further scrutiny of the relevant record revealed that neither deduction was made at source nor tax returns of the following firms were produced to audit for verification to ascertain the deposit of required services tax amounting to Rs. 6.845 million in the government treasury. (As detailed below):

<b>Consultants</b>	<b>Expenditure (Rs. million)</b>	<b>Service Sales Tax</b>
District Jail Swabi	5037000	755,550
Engineering Solutions RHC Yar Hussain	9,668,208	1,450,231
Creative Engineering Consultation DobianNazar&Tarka Road	6,469,352	970,402
Shaz Consultant for Establishment of Government Degree College	9,499,999	1,424,999
NESPAK Civil Hospital Topi	14,961,798	2,244,269
<b>Total</b>	<b>45,636,357</b>	<b>6,845,451</b>

Furthermore, when pointed out, the department stated that the contractors went to court for clarification and the instant case is sub-judice.

Audit held that if the case is sub-judice then the payment would also be stopped till clarification/verdict of the said case.

The lapse occurred due to violation of rules and regulations.

When pointed out in September 2019, the department stated that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letters dated October 2019 and 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 91 (2018-19)**

#### **4.4.12 Loss to public exchequer due to re-imbursement of Income Tax- Rs. 5.587 million**

According to Income Tax Department letter dated 11-07-2017, Income Tax at the rate of 7% shall be deducted from the contractors other than company.

During audit of the Emergency Rural Roads Rehabilitation Project for the Financial Year 2017-18, it was observed that the work “RCC Bridge Kund Bana-Battagram” was awarded to M/S Faisal & Co. in 2011. The final bill of the contractor revealed that income tax was deducted @ 6% instead of 7 % which resulted in less income tax deduction of Rs. 5,587,216/-. The 1 % tax deducted was reimbursed to the contractor in the final bill.

Audit held that payment of Income Tax was the responsibility of the contractor. The delay in completion of work within stipulated time was also on part of the contractor and, therefore, the reimbursement of Income Tax to the contractor from project fund/loan is un-authorized and loss to public exchequer. Income Tax from all the contractors has been deducted on the prevailing tax rate instead of this one contractor. The local office has extended undue favor to the contractor and put the government into a loss of Rs. 5,587,216/-

The lapse occurred due to weak internal controls and non-observance of Income Tax Ordinance.

When pointed out in February 2019, the department replied that under the clause 73.1 Particular Condition of Contract Vol-I of Bidding Documents, the contractor shall be responsible for payment of all their Taxes at the rate stated in contract. Therefore, at the time of the contract the prescribed Income Tax rate was 6% instead of 7% and the contractor was required to pay 6% of Income Tax.

In the DAC meeting held on 07 & 08-10-2019, the department stated that SRO about 6% Income Tax will be provided. The DAC did not agree and directed that para is marked for verification of record. However, no progress was intimated till the finalization of this report.

Audit recommends recovery of the Income Tax from the contractor and fixing responsibility against the person(s) at fault.

**AP No. 252 (2017-18) and AP No. 271& 283 (2017-18)**

#### **4.4.13 Loss due to non-forfeiture of security on rescinding of contract- Rs.3.520 million**

According to the XEN letter dated 27-10-2015, the contract of M/S Parcon Associate was rescinded under clause 3-a of the contract agreement and stated that earnest money/ the Security Deposit of the work “Construction of Dormitories for Support Staff at KP House Islamabad” and after recession, bill/ adjustment will be forfeited in favor of Government.

During audit of the Executive Engineer Provincial Building Construction Division-I Peshawar for the Financial Year 2018-19, it was observed that the work “Construction of Dormitories for Support Staff at KP House Islamabad” was awarded to M/S Paracon Associates with the bid cost of Rs. 66.188 million. However as mentioned above, his contract was rescinded but his security deposit of Rs. 3.520 million was not forfeited till the time of audit i.e. October 2019.

The lapse occurred due to violation of contractual provision.

When pointed in October 2019, the department stated that the matter has been referred to arbitration and the amount of Rs. 3.520 million lying under second deposit has been placed and transferred to Deposit-IV, transfer entry is attached till the decision of arbitration is arrived.

Audit requested the department for holding of the DAC meeting vide letter dated 31.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 03 (2018-19)**

#### **4.4.14 Loss due to purchase of split air conditioners at an exorbitant rate- Rs. 1.440 million**

According to approval accorded by the X.E.N Building Division Swat dated 14-06-2018, the rate of 1.5 Ton split AC was Rs. 95,000/- in the work special repair to Commissioner’s residence.

During audit of the Executive Engineer Building Division Swat for the Financial Year 2017-18, it was observed that the contractor of Wadudia Hall Saidu Sharif was paid Rs.2,580,000/- vide voucher dated 12.06.2018, for non-schedule item of work i.e. “S/F of Split AC 1.5 Ton” @ of Rs. 215,000/- per

unit for the purchase of 12 units. The rate paid was higher than the rate approved by the X.E.N and already paid in the work special repair of Commissioner Residence resulting in a loss of Rs. 1,440,000/- (215000-95000 x 12).

The lapse occurred due to weak internal controls.

When pointed in June 2019, the department stated that the item “5/F of split AC 1.5 tones” was approved in the PC-I as well as in the technical sanction estimate with the rate of Rs.215,000/- each. The split AC installed in the Commissioner Residence were of different nature. The reply was not tenable. The rates so paid were very high as compared to other works.

Audit requested the department for holding of the DAC meeting vide letter dated 24-07-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 337 (2017-18)**

#### **4.4.15 Non-recovery of outlet fee on provincial highway - Rs. 5.910 million**

According to Managing Director Pakhtunkhwa Highways Authority’s outstanding recovery statement for June, 2019, outlet rent was recoverable from owners of petrol pumps and CNG stations.

During audit of the Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2018-19, it was observed that a sum of Rs. 5.910 million as outlet fee was lying outstanding against the owners of petrol pumps and CNG stations.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in October 2019, department replied that detail reply will be furnished after checking the record.

Audit requested the department for holding of the DAC meeting vide letters dated 07-10-2019 and 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 134 (2018-19)**

#### 4.4.16 Non-recovery of outstanding Income Tax-Rs. 1.272 Million

According to Income Tax Department letter dated 11-07-2017, Income Tax at the rate of 7% shall be deducted from the contractors other than company.

During audit of the Emergency Rural Roads Rehabilitation Project for the Financial Year 2017-18, it was observed that Rs. 1,272,972/- were outstanding to various works contractors on account of Income Tax as testified by a statement given by the Finance Manager of the project.

(Rs.)

Income Tax due	Income Tax received	Outstanding
16,333,886	15,060,914	1,272,972

Apart from the above, M/S Raja Sabir Khan & Co. was provided Income Tax exemption of Rs. 766,708/- without any exemption certificate from the tax authorities.

(Rs.)

S. No	Cheque No/ dated	LCB No	Amount paid	Income Tax
1.	39681467 11-8-17	IPC 14 LCB-47	934,362	65,405
2.	39681468 11-8-17	IPC 12 LCB-72	1,254,718	87,830
3.	39681469 11-8-17	IPC 12 LCB-49	990,667	69,346
4.	39681470 11-8-17	IPC 13 LCB-49	1,825,028	127,751
5.	39681471 11-8-17	IPC 13 LCB-47	2,184,428	152,909
6.	39681472 15-8-17	IPC 15 LCB-72	3,763,534	263,447
<b>Total</b>				<b>766,708</b>

The lapse occurred due to weak internal controls and non-observance of rules/regulations.

When pointed out in February 2019, the department replied that a detailed reply will be furnished later on.

In the DAC meeting held on 07 & 08-10-2019, the department was directed to obtain proper certificate from the contractors that they have deposited the required amount of Income Tax for this particular year with the tax authorities and produce the same to Audit for verification. However, no progress was intimated till the finalization of this report.

Audit recommends recovery.

**AP No. 283 (2017-18)**

#### **4.4.17 Illegal and unauthorized expenditure - Rs.207.334 million**

According to Para 1.58 of B & R Code, Divisional Officers are immediately responsible for proper maintenance of all works in their charge and for the preparation of Project design and estimate whether for new work or repair. It is also part of their duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with the material of good quality.

During audit of the Executive Engineer Building Division Nowshera for the Financial Year 2017-18, it was observed that ADP scheme of “Establishment of Government Degree College at Manki-Sharif Nowshera” was awarded after prequalification @ Rs. 241.958 million to M/S Construction Company approved by the Chief Engineer. Further scrutiny of record revealed that the site of college was later on changed and construction was carried out in Pir-Pai instead of Manki-Sharif .

Audit held that expenditure on the construction of college was irregular as the site was changed arbitrarily without the approval of PDWP and feasibility study as a college was already existed in Pir-Pai.

The lapse occurred due to weak administrative controls and poor planning.

When pointed out in February 2019, it was stated that that a detailed reply will be given later on.

Audit requested the Department for convening DAC meeting vide letters dated 07-10-2019 and 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.157 (2017-18)**

#### **4.4.18 I. Unauthorized/irregular payment due to expired bank guarantee- Rs. 160.966 million**

##### **II. Non-renewal of bank guarantees- Rs.25.800 million**

According to Government of KPK Finance Department letter dated 05-11-2014, the contractors while quoting their rates up-to 10% below the

Engineering estimate/ BOQ shall deposit additional security in the shape of bank guarantees. These guarantees shall be discharged on the expiry of the defect liability period of the contract.

During audit of the Director Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2018-19, it was observed that contract for the construction & blacktopping of Manglawar to Malam-Jabba Road Package (10 to 12 km) was awarded to M/S Amanullah with up-to-date payment of Rs. 324.789 million till IPC-14. Further scrutiny of record revealed that the contractor has submitted bank guarantee No. 17/2017 worth Rs. 25.800 million which was expired on 13.11.2018 and was not renewed till the date of audit.

Audit held that the contractor was paid Rs. 160.966 million after the expiry of the bank guarantee, which stands unauthorized & irregular.

The irregularity occurred due to weak internal controls and financial mismanagement.

When pointed out in October 2019, the department replied that a detailed reply will be furnished after checking the record.

Audit requested the Department for convening DAC meeting vide letters dated 20-11-2019 and 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 159 (2018-19)**

#### **4.4.19 Unauthorized payment to an unqualified firm- Rs. 105.781 million**

According to the Integrity Pact signed by the contractor, he will be responsible for making any false declaration, not making full disclosure, misrepresenting facts or taking any action likely to defeat the purpose of this declaration, representation and warranty read with Para 23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the government through fraud or negligence on his part or the part of his subordinate.

During audit of the Executive Engineer C&W Division Mardan for the Financial Year 2018-19, it was observed that the pre-qualification of

contractors/ firms was invited through print media for the work “Establishment of Girls Cadet College Mardan Package-1” and “Construction of New Office Building for the Treasury Office Mardan”. After the bidding process M/S TakhtBhai Construction Company was awarded the contracts for both works. However, scrutiny of record revealed that the contractor was not pre-qualified and therefore, the award of contracts stands unauthorized for a total amount of Rs. 105.781 million.

The irregularity occurred due to weak financial controls.

When pointed out in October 2019, the department stated that a detailed reply will be furnished after consulting of record.

Audit requested the department for holding of the DAC meeting vide letter dated 31.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 32 & 33 (2018-19)**

#### **4.4.20 Overpayment due to non-reducing cost estimates for Withholding Tax- Rs. 42.540 million**

According to Government of Khyber Pakhtunkhwa Finance Department letter dated 21.04.2015 all Provincial Works Departments while preparing cost estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System but with 7.5% less cost to defray the amount added in the rate analysis of all works/Construction/supply items to meet withholding tax.

During audit of the Executive Engineer Building Division Swat for the Financial Year 2017-18, it was observed that the payment of Rs. 847,084,634/ was made to various contractors for the work awarded after 5/2015. The estimates were required to have been reduced for withholding tax @ 7.50 % or an amount of Rs. 62,578,865/- should have been recovered. Contrarily, the local office had recovered Rs. 19,539,043/- only. This resulted in an overpayment of Rs. 42,939,822/- (62,578,865-19,939,822) to contractors.

The irregularity occurred due to violation of rules.

When pointed in June 2019, the department stated that a detailed reply will be furnished after scrutiny of the record.

Audit requested the Department for convening DAC meeting vide letters dated 07-10-2019 and dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No.322 (2017-18)**

**4.4.21 Overpayment to contractor due to allowing 5% rebate overhead - Rs. 24.162 million**

According to the summary to the Chief Minister Clause-4 (iii), the work shall be awarded to FWO on MRS-2015 with 5% rebate overhead charges. The FWO shall complete the work within 15 months.

According to Para-26 of the Chief Minister Summary the C & W Department should have worked out the justification for 5% premium on MRS-2015 as recently notified MRS-2016 is below the MRS-2015 providing already a premium to FWO on current rates. However, if the work is to be executed in multiple shifts for completion of the project in a shorter time, then FWO has to put in additional resources for which the proposal of the premium is justified.

During audit of the Executive Engineer Building Division Nowshera for the Financial Year 2017-18, it was observed that a 5% rebate overhead was allowed to the Contractor in the work “Establishment of Medical College Nowshera” on the justification to complete the work within the stipulated time period i.e. 15 months.

Further verification of record revealed that the work order was issued to the contractor on 16/5/2016 for the work “Construction of Nowshera Medical College”. The work was required to be completed in August 2017, as per agreement and time of completion mentioned in the work order. The work was in progress up to the date of audit i.e. February 2019, meaning thereby that the contractor badly failed to complete the work within 15 months for which 5% rebate overhead was allowed.

The lapse occurred due to violation of the chief minister directives and weak internal controls.

When pointed out in February 2019, the department replied that a detailed reply will be furnished later on.

Audit requested the Department for convening DAC meeting vide letters dated 07-10-2019 and dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No.155 (2017-18)**

**4.4.22 Overpayment to contractor on account of roof insulation - Rs.6.578 million**

According to CSR 2012 A full-fledged item of work for roof insulation is provided in the said schedule namely “P/L roof insulation with thermopore sheet 1” thick” @ 94.36 Sft,

During audit of the Executive Engineer C&W Division Haripur for the Financial Year 2018-19, it was observed that the work “Construction of Judicial Complex at Haripur” was done by M/S Muhammad Irfan & Co. (government contractor) and paid an amount of Rs. 22.123 million to them vide voucher dated 06.08.2018. Further scrutiny of record revealed that Engineer-In-Charge paid Rs. 10.558 million on account of the following items of work;

<b>S. No.</b>	<b>Item of Work</b>	<b>Qty</b>	<b>Rate</b>	<b>Amount (Rs.)</b>
1.	P/L topping of concrete 2.1/2” thick screed	42216.73	59.26	2,501,911
2.	Roof insulation 2 core of Bitumen thermopore sheet 1” thick	42181.41	191.036	8,058,167
<b>Total</b>				<b>10,560,078</b>

Further scrutiny of CSR 2012 revealed that a full-fledged item of work for roof insulation is provided in the said schedule namely “P/L roof insulation with thermopore sheet 1” thick” @ 94.36 Sft, but instead of executing the said item of work, the Engineer-In-Charge misused his authority and allowed the item of works @ 59.26 and 191.036 per Sft unnecessarily, which resulted into overpayment of Rs. 6,579,841/- {10,560,079 – (94.36\*42181.41)}.

Audit held that execution of unnecessary item instead of a full-fledged item of work in the schedule, caused overpayment to contractor and resulted in loss to the Government worth Rs. 6,579,841/-

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in October 2019, the department stated that a detailed reply will be furnished after consulting of record.

Audit requested the department for holding of the DAC meeting vide letter dated 31.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 65 (2018-19)**

**4.4.23 Overpayment to contractor due to allowing an excess quantity – Rs.5.309 million**

According to the Superintending Engineer’s Acceptance of Tender, Condition No. 12 provides that “the Tender Evaluation Committee will be responsible for any arithmetical calculation and errors in the quoted bid”.

During audit of the Executive Engineer Provincial Building Maintenance Cell Peshawar for the Financial Year 2018-19, it was observed that the contract for the AOM&R of Provincial Assembly KP Peshawar was awarded to M/S Rahim Dad & Sons against the contract cost of Rs.12,661,529/-. Scrutiny of the 2<sup>nd</sup> running bill of Rs.12,661,529/- paid vide voucher dated 14-01-2019 revealed that excess quantity of 17352 M<sup>2</sup> (19280-1928) was paid against the item of work “Applying emulsion paint 2<sup>nd</sup>& each subsequent coat” as worked out below:

<b>Items of work</b>	<b>Qty paid</b>	<b>Rate</b>	<b>Amount (Rs)</b>
Scraping ordinary distemper	1928	45.39	87,512
Primary coat of chalk under distemper	1928	21.73	41,895
Applying emulsion paint 2 <sup>nd</sup> & each subsequent coat	19280	154.14	2,971,819
<b>Total</b>			<b>3,101,226</b>

The payment was allowed for an excess quantity of 17352 M<sup>2</sup> (19280-1928) as the execution of applying emulsion paint 2<sup>nd</sup>& each subsequent coat will be equivalent to the auxiliary items of works i.e. scraping ordinary distemper and primary coat. Contrarily, the item “Applying emulsion paint 2<sup>nd</sup>& each subsequent coat were paid over its auxiliary items. This resulted in overpayment of Rs.2,674,637/- (17352 x 154.14).

Furthermore, scrutiny of the 3<sup>rd</sup> running bill paid to M/S Rahim Dad & Sons against the AOM&R of MPA Hostel vide voucher dated 12-11-2018 revealed that excess quantity of 17091.07 M<sup>2</sup> (24415.81-7324.74) was paid against the item of work “Applying emulsion paint 2<sup>nd</sup>& each subsequent coat” as worked out below:

<b>Items of work</b>	<b>Qty paid</b>	<b>Rate</b>	<b>Amount (Rs)</b>
Scraping ordinary distemper	7324.74	45.39	332,470
Primary coat of chalk under distemper	7324.74	21.73	159,167
Applying emulsion paint 2 <sup>nd</sup> & each subsequent coat	24415.81	154.14	3,763,453
<b>Total</b>			<b>4,255,090</b>

The payment was allowed for an excess quantity of 17091.07 M<sup>2</sup> (24415.81-7324.74) as the execution of applying emulsion paint 2<sup>nd</sup>& each subsequent coat will be equivalent to the auxiliary items of works i.e. scraping ordinary distemper and primary coat. Contrarily, the item “Applying emulsion paint 2<sup>nd</sup>& each subsequent coat was paid in excess of its auxiliary items. This resulted in overpayment of Rs.2,634,418/- (17091.07 x 154.14)

The lapse occurred due to weak management & supervision of the civil work activities.

When pointed out in October 2019, the department replied that a detailed reply will be furnished after consulting of relevant record.

Audit requested the department for holding of the DAC meeting vide letter dated 11-11-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 119 & 122 (2018-19)**

#### 4.4.24 Overpayment to the contractor due to allowing higher rate - Rs.3.075 million

Para 220 & 221 of CPWA Code Provides that “The Sub Divisional Officer, before making payments to the contractors 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”.

According to note below the BOQ that any non BOQ item will be paid at the same premium from the MRS 2013.

During audit of the Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2018-19, it was observed that the contract for the construction of Dualization of Sherkot–Hangu Section, Package 1-3 was awarded to the contractors and allowed payment till last IPCs & VOs. Scrutiny of record revealed that contractors were paid for an item of work PCC (1:3:6) 06-05-h as non-BOQ item. The payment was examined in light of the approved rate wherein it was observed that payments were made at higher rates, which resulted in an overpayment of Rs.3.075 million. (As detailed below):

Item of work	Package	Contractor	Bill no	Qty paid	Rate paid	Rate available in MRS, 2013	Diff	Amount (Rs)
PCC 1:3:6	1	M/S Amanullah	4B	166.75	6154	5603	551	91,879
PCC 1:3:6	1	M/S Amanullah	5	2572.718	6154	5603	551	1,417,568
PCC 1:3:6	2	M/S Khattak	5	345.985	5883	5603	280	96,875
PCC 1:3:6	3	M/S Amanullah	4	114.85	6154	5603	551	63,282
PCC 1:3:6	3	M/S Amanullah	5	97.01	6154	5603	551	53,452
PCC 1:3:6	3	M/S Amanullah	5	2455.38	6154	5603	551	1,352,914
							<b>Total</b>	<b>3,075,970</b>

Audit held that in the same bill and package, the item was paid @ 5603, but due to extending undue benefit to the contractor, excess rate was paid in the same package, which resulted in a loss to the government.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out October 2019, the department replied that a detailed reply will be furnished after checking the record.

Audit requested the Department for convening DAC meeting vide letters dated 20-11-2019 and 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 143 (2018-19)**

**4.4.25 Overpayment on account of Gypsum Board false ceiling- Rs. 2.555 million**

Para 220 & 221 of CPWA Code Provides that “The Sub Divisional Officer, before making payments to the contractors 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”.

As per approved item of work “Gypsum Board false ceiling” @ 300/sft was approved as NSI. Furthermore, in the Package-II, different rates i.e. 255/sft for the same NSI, were applied during the same period and in the same building, which caused overpayment to the contractor.

During audit of the Executive Engineer C&W Division Haripur for the Financial Year 2018-19, it was observed that “Construction of Judicial Complex at Haripur”, having a PC-1 Cost of Rs. 585.646 million, was divided into 02 packages and awarded to different contractors on 30/04/2013 with different completion periods. On scrutiny of the record of Package-I (Main Building) revealed that an item of work “Gypsum Board false ceiling” @ 300/sft was approved as NSI. Furthermore, in the Package-II, different rates i.e. 255/sft for the same NSI, were applied during the same period and in the same building, which caused overpayment of Rs. 2,555,249/- to the contractor. (As detailed below):

Contractor	Item of work	Vr. No. & Date	Rate paid (14% below)	Rate allowed in Package-II (29% below)	Diff	Qty	Overpayment (Rs.)
M/S M. Urfan Khan	Gypsum Board false ceiling	28-H dt: 6-8-18	300/sft 258/sft (after rebate)	255/sft 181.05/sf (after Rebate)	76.95	33206.61	2,555,249

Audit held that allowing two different rates for the same Non-Scheduled Item, during the same period and for the same building, was an undue favor to the contractor. Furthermore, no rate analysis of the said item of

work was done by the local office and accepted the NSI rate without any justification.

The lapse occurred due to violation of rules and regulations.

When pointed out in October 2019, the department stated that a detailed reply will be furnished after consulting of record.

Audit requested the department for holding of the DAC meeting vide letter dated 31-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 61 (2018-19)**

**4.4.26 Overpayment due to unauthorized payment of profit - Rs. 1.297 million**

There is no provision in the contract agreement for the payment of profit.

During audit of the Executive Engineer Provincial Building Construction Division-I Peshawar for the Financial Year 2018-19, it was observed that a sum of Rs.1.297 million was paid to the following firms as profit and Income Tax @ 6.50%, which was not supported by any rules and regulations. (As discussed below):

**(Rs.)**

<b>Voucher No. &amp; Date</b>	<b>Firm</b>	<b>Name of Work</b>	<b>Profit &amp; income tax paid to the firm</b>
1/14 dated 19.6.2019	Shaz Consultant Peshawar	Establishment of Zulfiqar Ali Bhutto Medical College and Feasibility Study Master Planning Designing and Supervision consultancy	802,174 (Profit)
1/14 dated 30.5.2019	Shaz Consultant Peshawar	F/S & Construction of Hostel with Allied Facilities in KPK Judicial Academy	278,405 (6.5% Income Tax)
1/21 dated 24. 01.2019	Shaz Consultant Peshawar	F/S & extension of Bar room, library and construction of an auditorium with allied facilities for Peshawar advocate General	217,417 (6.5% Income Tax)
		<b>Total</b>	<b>1,297,996</b>

The lapse occurred due to violation of rules and regulations.

When pointed in October 2019, the department stated that the record would be re-checked and if found guilty, the amount will be recovered from the firm.

Audit requested the department for holding of the DAC meeting vide letter dated 31-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No.10 (2018-19)**

**4.4.27 Overpayment due to non-recovery of Mobilization Advance - Rs.3.00 Million**

According to Sub-Clause 60.11 (b) of the Pakistan Engineering Council's Standard Form of Bidding Documents, the mobilization advance shall be recovered in equal installments; first installment at the expiry of third month after the date of payment of first part of advance and the last installment two months before the date of completion of work as per clause 43 thereof.

During audit of the Emergency Rural Roads Rehabilitation Project for the Financial Year 2017-18, it was observed that Rs. 3,000,000/- was not recovered from the contractor in the final payment certificate.

Verification of the record of Package 73- "Road from Baba Sari to Kingar-Gali Buner" revealed that Mobilization Advance Rs. 16,603,908/- was allowed in IPC # 1 & 2 to the contractor M/S Haji Ibrahim & Sons in 2013, whereas Rs. 13,603,908/- was recovered, resulting Rs. 3,000, 000/-, still to be recovered from the contractor. It may be noted that the final payment has been made to the contractor and the mobilization advance was required to be deducted before final payment to the contractor.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in February 2019, the department replied that the said amount will be recovered from M/S Ibrahim and Sons and audit would be intimated accordingly.

In the DAC meeting held on 07 & 08-10-2019, the department admitted that recovery from M/S Ibrahim & Sons will be made and DAC directed that recovery of outstanding Mobilization Advance of Rs. 3 million against the contractor be made. However, no progress was intimated till finalization of this report.

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

**AP No. 286 (2017-18)**

**4.4.28 Overpayment to contractors- Rs. 1.183 million**

Para 220 & 221 of CPWA Code Provides that “The Sub Divisional Officer, before making payments to the contractors 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”.

During audit of the Executive Engineer Building Division Nowshera for Financial Year 2017-18, it was observed that the following works were awarded to the contractor @ 10% below but a 10% rebate was not recovered from the contractor bills, which resulted in an overpayment of Rs. 1,183,623/- to the contractor.

**(Rs.)**

<b>S. No</b>	<b>Name of work</b>	<b>Up to date payment</b>	<b>10% below</b>	<b>Overpayment</b>
1	Rehabilitation of Jamia Masjid Nowshera	3,900,236	390,023	390,023
2	GPS JabbaDaudzai to Middle level	7,936,000	793,000	793,000
<b>Total</b>				<b>1,183,623</b>

Audit held that undue favor was extended to the contractor for which the local office is responsible. The overpaid amount needs to be recovered from the contractors.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in February 2019, the department stated that detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends recovery.

**AP No. 160 (2017-18)**

**4.4.29 Overpayment to contractor due to allowing Schedule Item as Non-Schedule Item – Rs.1.01 million**

According to the Acceptance of Tender for the work AOM&R/ Special Repair to MPA Hostel Peshawar, Condition No. 09 & 13 states that “Schedule items included in Market Rate System should not be paid as Non-Schedule Items separately. The payment of Non-Schedule items should not be made without approval and Technical Sanction approved Rate Analysis by the Competent Authority”.

During audit of the Executive Engineer Provincial Building Maintenance Cell Peshawar for the financial year 2018-19, it was observed that the contract for the AOM&R of MPA Hostel was awarded to MS Rahim Dad & Sons against the contract cost of Rs.26,776,000/-. Scrutiny of the 3<sup>rd</sup> running bill worth Rs.26,776,000/- paid vide voucher dated 12-11-2018 revealed that overpayment of Rs.1,011,439/- was made to the contractor due to allowing Scheduled Item as Non-Scheduled Item with a higher rate, as worked out below:

<b>Items of work</b>	<b>Qty paid</b>	<b>Rate allowed as NSI</b>	<b>Rate available in MRS-2017</b>	<b>Excess Rate paid</b>	<b>Amount (Rs.)</b>
Master Tile in White Cement ¼” as directed (Bill item 32/ TR-38)	11670 SFT	265/ SFT	178.33/ SFT (10-48-a)	86.67	1,011,439

The lapse occurred due to mismanagement of the civil work activities.

When pointed out in October 2019, the department replied that a detailed reply will be furnished after consulting of relevant record.

Audit requested the department for holding of the DAC meeting vide letter dated 11-11-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 120 (2018-19)**

#### **4.4.30 Wasteful expenditure on account of false ceiling- Rs. 1.561 million**

According to contract agreement the consultant shall carry out their obligation with due diligence, efficiency and economy, in accordance with generally accepted provisional technique and practices, and shall observe sound management practices read with the DG Monitoring & Evaluation P&D Department evaluation report dated 09-10-2017 wherein recovery was recommended from the concerned staff for executing unnecessary false ceiling.

During audit of the Executive Engineer C&W Division Haripur for the Financial Year 2018-19, it was observed that the M&E Department executed a monitoring report on the project “Construction of Judicial Complex at Haripur”, having a PC-1 cost of Rs. 585.646 million. Package-II, was awarded to M/S Tahir Rehman & Brothers and scrutiny of the record revealed that false ceiling for a quantity of 33245.69 Sft @ 255/Sft amounting to Rs. 8,477,650/- was executed. During the site inspection, it was noted that an unnecessary false ceiling was carried out in the verandahs of bar room, which may also be recovered from the concerned staff involved in releasing its payment amounting to Rs. 1.561 million (As detailed below):

Verandahs	1225*5= 6125 Sft (approx.)
Rate	255/Sft
Loss to Government	1,561,875/-

Audit held that recovery of Rs. 1.561 million on the execution of unnecessary item of work needs recovery.

The lapse occurred due to violation of rules and regulations.

When pointed out in October 2019, the department stated that a detailed reply will be furnished after consulting of record.

Audit requested the department for holding of the DAC meeting vide letter dated 31.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 64 (2018-19)**

#### **4.4.31 Unjustified payment on fake measurement- Rs. 3.975 million**

Para-209 (d) of CPWA code provides that all payments for work or supplies are based on the quantities recorded in the measurement book; it is incumbent upon the person measuring to record the quantities clearly and accurately. Furthermore, Para208,209(d), 220&221 of CPWA code provides that payments for all works should be made based on measurements recorded in the measurement book.

During audit of the Executive Engineer Provincial Building Construction Division-I Peshawar for the Financial Year 2018-19, it was observed that a sum of Rs. 3.975 million was shown paid to M/S Paracon Associates for various items of work in KP House Islamabad, with actual measurement as established during inquiry by the Anticorruption Department. No action was taken against the staff who recorded the fake measurement during the period till the date of audit.

The lapse occurred due to violation of rules and regulations.

When pointed in October 2019, the department stated that the Anticorruption Inquiry Report will be consulted and action against the person(s) at fault will be taken accordingly.

Audit requested the department for holding of the DAC meeting vide letter dated 31.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 13 (2018-19)**

#### **4.4.32 Non-transparent/irregular award of the contract - Rs.652.499 million**

According para 42 of KPPRA rules, negotiation shall not seek changes in the rate quoted by the bidder.

During audit of the Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2018-19, it was observed that the contract for Construction of Dualization of Sherkot to Hangu Section Package- 2 with a bid cost Rs. 652.499 million was put into tender on item rate. Further scrutiny of record revealed that 3 contractors were shown as participants in the financial bid. The work was not awarded to M/S Amanullah Khan &Co. who quoted at

par at the estimated cost and the 1<sup>st</sup> lowest bidder without any cogent reasons. The work was awarded to the second-lowest bidder M/S Khattak Allied who quoted rate 714.208 million which was 9.45 % above on the estimated cost. Later on the bidder negotiated and offered a rebate of 15.64% of his bid cost which was duly accepted by the department and issued work order which was contradictory against the criteria cited above.

Audit held that undue favor was extended to the contractor by the department by violating the rules.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out October 2019, the department replied that a detailed reply will be furnished after checking the record.

Audit requested the Department for convening DAC meeting vide letter dated 18/10/2019. However, no DAC was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 147 (2018-19)**

#### **4.4.33 Irregular award of contract due to manipulation in the tender documents - Rs. 602.506 million**

According to Rule 14(b)(ix) of the Khyber Pakhtunkhwa Public Procurement Regulatory Authority Rules 2014, “the bid found to be the lowest evaluated bid shall be accepted” and Rule 42, “Post-bid negotiations shall not seek changes in the rates quoted by the bidder.”

During audit of the Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2018-19, it was observed that the contract for Construction of Dualization of Sherkot to Hangu Section Package 2 with a bid cost Rs. 652.499 million was put into tender on item rate. Further scrutiny of record revealed that contract was awarded to M/S Khattak Allied who quoted bid of Rs. 714.208 million which was 9.45 % above the estimated cost. Later on the bidder negotiated and offered a rebate of 15.64% thus the bid cost comes Rs. 602.506 million, which was accepted by the department and work order issued accordingly.

The following discrepancies were observed in the tender process;

- 1) In response to the tender, 3 bidders participated and quoted their rates namely NKB with a bid cost of Rs. 714.500; M/S Amanullah Rs. 652.499 million & M/S Khattak Allied Rs. 714.500 million; as per BOQs. A comparative statement was required to have been prepared and contract awarded to the lowest bidder M/S Amanullah, which was not done.
- 2) The department prepared comparative statement, showing M/S Amanullah as quoting a bid rate of Rs. 886.492 million, M/S Khattak Allied Construction Co. Rs.602.506 million and M/S New Khan Builders Rs.720.554 million, whereas the rates quoted in the bids reflected a different story with M/S Amanullah Rs. 714.208 million, M/S Khattak Rs.714.208 million & M/S New Khan Rs. 652.499 million, which indicates that manipulation was done in the tender documents, just to award the contract to the choice contractor.
- 3) Audit contention becomes strong because the department received rebate letter from the M/S Khattak Allied Contractor vide department diary dated 17.8.2015, after the lapse of tendering process.
- 4) Furthermore, 2 % call deposit was not found attached /available in the file.
- 5) According to the NIT, 2 % bid cost valuing Rs.13.049 million was required to have been deposited, whereas tender form showed M/S Allied Khattak had deposited only Rs.11.722 million, resulting in a short deposit of Rs.1.327 million.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out October 2019, the department replied that a detailed reply will be furnished after checking the record.

Audit requested the Department for convening DAC meeting vide letter dated 18/10/2019. However, no DAC was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 156 (2018-19)**

#### 4.4.34 Irregular award of contract- Rs. 24.451 million

According to Pakistan Engineering Council License No-00735 issued on 27<sup>th</sup> March 2015, M/S Malik Construction Co. was registered for fields of specialization i.e. CE-01, CE-09 and CE-10 only.

During audit of the Executive Engineer Building Division Nowshera for the Financial Year 2017-18, it was observed that the construction of Government Degree College for boys at Manki-Sharif was awarded to M/S Malik Construction Co. at the BOQ cost of Rs. 241.958 million. The contractor was awarded contract for the work in the categories (codes) in which he was not registered with PEC. Therefore, audit held that the contract for the following items of work valuing Rs.24,451,359/- was irregularly awarded to the contractor. (Detailed below):

**(Rs.)**

<b>S. No.</b>	<b>Particular of work allotted</b>	<b>BOQ amount</b>
1.	Internal Electrification	15,942,264
2.	Electric work pump room	170,865
3.	Extinguishers	814,000
4.	CCTV System	3,229,380
5.	Telephone and networking	1,843,900
6.	solar detail	2,450,950
<b>Total</b>		<b>24,451,359</b>

The lapse occurred due to violation of the enlistment criteria of the Pakistan Engineering Council.

When pointed out in February 2019, the department replied that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.189 (2017-18)**

#### 4.4.35 Irregular payment of secured advance- Rs. 7.912 million

According to contract agreement a contractor shall be entitled for secure advance during the progress of work 75% material which are in opinion of the Engineer In charge in accordance with the contract and which have reasonable be brought on the site in connection with and are adequately stored and /or protected against the damages by weather or other causes

During Audit of the Executive Engineer Building Division Swat for the Financial year 2017-18, it was observed that the Secured Advances to the tune of Rs.7,911,610/- were granted to the following contractors for various works during March 2018. No actual work was carried out till June 2018;

(Rs.)				
S. No	Vr: No & Date	Name of contractor	Name of work	Amount
1	4-MR/08.03.2018	M/S Iftikhar Hussain	GHS OnaDehari	4,000,000
2	36-S/30.04.2018	M/S AsmatUllah	Distt Council Hall	3,911,610
<b>Total</b>				<b>7,911,610</b>

The sanctions/ approvals of the Superintendent C&W Circle Malakand were not obtained. No expenditure was incurred on these schemes till June 2018, hence the payment was held irregular.

The irregularity occurred due to weak financial controls.

When pointed in June 2019, the department stated that a detailed reply will be furnished after scrutiny of the record.

Audit requested the department for holding of the DAC meeting vide letter dated 24-07-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 335 (2017-18)**

#### 4.4.36 Irregular award of electricity work- Rs. 6.434 million

According to the Contractor Enlistment Committee of C & W Department No-PK-05/167/000167 dated 18-04-2013, M/S Siraj-ul-Haq& Sons was enlisted with C&W Department for the following works: 1. Civil

work 2. Road, drainage and retaining structure 3. Carriage works 4. Supply of building material/store & 5. Water supply and sanitation work.

During audit of the Executive Engineer Building Division Nowshera for the Financial Year 2017-18, it was observed that the contract of electricity work of Rs 6,434,482/- in “Establishment of Multipurpose International Standard Gymnasium” was awarded to M/S Siraj-ul-Haq & Sons but the Contractor was not enlisted for the said item of work with C & W Department.

Audit held that undue favor was extended in award of the work to the contractor.

The lapse occurred due to weak internal controls and non-observance of rules and regulations.

When pointed out in February 2019, the department replied that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letter dated 07-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 201 (2017-18)**

#### **4.4.37 Non-forfeiture of call deposit- Rs. 3.830 million**

According to Clause 2A of contract agreement, in the event of the contractor refusing to carry out the work or leaving incomplete at any time or stage after the commencement of the work, the contractor shall pay as compensation an amount equal to ten percent or such smaller amount as the Superintending Engineer may decide, on the amount of the estimated cost of the whole work as shown in the tender and the Divisional Officer may, by notice in writing, rescind the contract in which case the whole of the security deposit of the contractor shall stand forfeited and be absolutely at the disposal of Government and the same consequences shall ensure as if the contract has been rescinded under clause 3 hereof.

During audit of the Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2017-18, it was observed that in the below mentioned works, the contractors failed to commence the work, even after a

lapse of 03 years. The local office was required to forfeit the call deposit as required under clause 2A of contract agreement, but no such action was taken by the Department so far. (As detailed below):

**(Rs. in million)**

Name of work	Contractor	Bid Cost	Completion date	2% call deposit	Remarks
RCC along Western Bypass road Mardan Package-I(right side km 0+000 to 8+700)	M/S Khattak Allied Constn. Company	22.326	20.2.2014	0.450	Not started up to August 2017
RCC along Eastern Bypass road Mardan Package-III(right side km 0+000 to 6+700)	M/S Khattak Allied Constn. Company	18.763	20.2.2014	0.380	Not started up to January 2017
Construction of Northern Bypass road Mardan S.H. RCC fencing on both side	M/S Rana construction company	81.200	4.3.2015	1.620	Not started up to October 2016
RCC along Western Bypass road Mardan Package-II(left side km 8+700 to 16+300)	M/S Karcon (Pvt) Ltd	20.540	4.3.2014	0.410	Not started up to December 2015
RCC along Eastern Bypass road Mardan Package-II(left side km 8+155 to 17+200)	M/S Rana construction company	48.350	03.3.2014	0.970	Not completed till the date of audit.
<b>Total</b>				<b>3.830</b>	

The lapse occurred due to violation of contractual provision.

When pointed out in May 2019, the department replied that a detailed reply will be furnished later on.

In the DAC meeting held on 25-11-2019, the department admitted the delay in commencement of work, and stated that it was not on contractor's part. The DAC didn't agree and directed the department to forfeit the call deposit of contractors.

Audit recommends implementing the DAC decision.

**AP No.297 (2017-18)**

**4.4.38 Non-imposition of penalty on contractors for incomplete schemes–  
Rs. 33.302 million**

According to clause-2 of the contract agreement "The time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor and shall be reckoned from the date on which the order to commence work is given to the contractor. The contractor shall pay as compensation an amount equal to one percent or such smaller amount as the Superintending Engineer may decide, on the amount of the estimated cost for every day that the work remains unfinished after the proper dates, provided that the entire amount of compensation shall not exceed ten percent on the estimated cost of the work as shown in the tender"

During audit of the Executive Engineer C&W Division Mansehra for the Financial Year 2017-18, it was observed that the under-mentioned schemes could not be completed in due course of time and were still in progress after lapse of considerable time (till the date of audit i.e. 28-06-2019). However, neither time extensions were granted nor could penalty was imposed. This resulted in non-completion of the schemes and non-recovery of the penalty of Rs.33,301,602/- (10% of the estimated cost), as summarized below;

**(Rs.)**

Name of work	Contractor	Date of com:	Required Date of completion	Bid cost	Last paid bill No.	Penalty @ 10%
Imp: of road Khaski to Afzadabad	Zahid Bashir	25.05.2015	25.05.2017	83,995,500	20 <sup>th</sup> R/Bill 6H/04.06.18	8,399,550
GHSS Behali	Wali Muhammad	31.10.2016	30.06.2017	55,090,752	10 <sup>th</sup> R/Bill 27/11.06.18	5,509,075
Estab: SDC in Mansehra	Raja Adalat	08.06.2016	08.06.2017	18,929,773	4 <sup>th</sup> R/Bill 24/11.06.18	1,892,977
GDCG in Oghi	M.Tahir	01.06.2012	01.06.2014	175,000,000	36 <sup>th</sup> R/Bill 9/09.04.18	17,500,000
<b>Total</b>						<b>33,301,602</b>

The lapse occurred due to violation of contract agreement.

When pointed out in June 2019, the department stated that a detailed reply will be furnished after consulting of relevant record.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No.378 (2017-18)**

#### **4.4.39 Inadmissible payment of escalation– Rs. 18.47 million**

According to Para-7 of Finance Department letter dated 30-06-2015, “No escalation shall be allowed to the contractor in respect of the period extended for completion of the work due to his own fault”.

During audit of the Executive Engineer C&W Division Mansehra for the Financial Year 2017-18, it was observed that the construction of Government Degree College Oghi was awarded to MS Muhammad Tahir & Brothers, vide work order dated 24.03.2012. The contract was awarded for Rs.126,029,000/- i.e. 28% above on CSR 2009, which was later on enhanced to Rs.160,000,000/- by the Chief Engineer. Scrutiny of the 36<sup>th</sup> running bill revealed the following observations:

1. An amount of Rs.18,469,839/- was paid on account of escalation, which was unjustified as the contract was awarded at 28% above on CSR-2009. With a premium of 28% above on CSR, the payment of escalation of Rs.18,469,839/- was not admissible.
2. The contract was awarded on 01.06.2012 with a completion period of 24 months. With the enhancement of contract cost from Rs.126.029 million to Rs.160.00 million, the completion period was also enhanced from 24 to 36 months. Hence, the scheme was due for completion on 01.06.2015. The 36<sup>th</sup> running bill paid on 09.04.2018, revealed that an amount of Rs.321,389 was paid on account of escalation since previous bill, which was also not admissible as escalation is not allowed during the extended period of the scheme as per Para-7 of the Finance Department letter dated 30.06.2005.

Audit held that inadmissible escalation was paid to favor the contractor.

When pointed out in June 2019, the department stated that a detailed reply will be furnished after consulting of relevant record.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.391 (2017-18)**

**4.4.40 Advance payment to the contractors without fulfilling the criterion - Rs.9.641 million**

Para-209 (d) of CPWA code provides that all payments for work or supplies are based on the quantities recorded in the measurement book; it is incumbent upon the person measuring to record the quantities clearly and accurately. Furthermore, Para 208, 209(d), 220 & 221 of CPWA code provides that payments for all works should be made based on measurements recorded in the measurement book.

During audit of the Pakhtunkhwa Highways Authority Peshawar (PKHA) for the Financial Year 2018-19, it was observed that the contract for the execution of following schemes were awarded to various contractors. On scrutiny of the relevant record revealed that in the voucher mentioned against each in the respective running bills the concerned sub engineer/consultants made re-measurement in the following items and on that basis minus entries are made in the said running bill. (As detailed below):

**(Rs.)**

S. No.	Work	Contractor	Running Bill No.	Item	Amount
1	imp & wid Malang Baba Nizampur, Nowshera	M/SAkhunzadaFazalJamil	30	Road way excavation in surplus	4,536,713
2	Estern& western By Pass Road, Mardan P-3	M/STollink Royal	4	concrete structure	425,299
3	-do-	-do-	4	concrete in piles	71,301
4	-do-	-do-	4	filter layer of granules	52,505
5	Dualization of Charsadda Tangi Road P-1	M/s Shoukat Khan	16	Plain cement concrete	64,383
6	Const. of service road along Eastern & Western By Pass road Mardan	M/s Niamatullah	10	P/L capillary cut of layer	52,244
7	Dualization of Murree chowk- Thandiani chowk	M/s BadiUzZaman	14	RCC in Roof slab ,beam	1,964,380
8	Gulshan Abad to Janana mill P-3	M/s Amanullah	16	cement concrete compacting	140,381
9	Dualization of CharsaddaTangi Road P-1	M/s Amanullah	15	medium hard required blasting	1,610,127
10	left over portion swari Qilla P-1	M/s New Malik	5	Road way excavation	724,102
				<b>Total</b>	<b>9,641,435</b>

Audit held that a sum of Rs.9.641 million was allowed by the Executive Engineer in the previous running bills based on tentative measurements, which was considered as advance payment and then deducted/adjusted the said amount in the running bill mentioned above, accordingly. The adjustment of Rs. 9.641 million were considered as advance payment and non-recovery of interest @ of 10% amounting to Rs. 964,143/- of the said advance payment, which needs justification.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out October 2019, the department replied that a detailed reply will be furnished after checking the record.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 139 (2018-19)**

#### **4.4.41 Doubtful payment to the contractor due to manipulation in variation order- Rs. 30.829 million**

According to Para 23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the government through fraud or negligence on his part or the part of his subordinate.

During audit of the Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2018-19, it was observed that the contract for the construction of Dualization of Sherkot Hangu Section, Package 2 (6 to 12 km) was awarded to M/S Khattak Allied with the bid cost of Rs. 602.505 million and was allowed an up-to date payment of Rs. 346.456 million, till 12<sup>th</sup> IPC.

The comparison of IPC-5 and 12reveled that VO-I has been fudged and the quantities enhanced. (As detailed below):

Item	Description	Qty as per VO1 of IPC no 5	Qty as per Vo1 provided by the department in IPC 12
106-a	Road way excavation in common	26775	41590
106-b-I	Road exc hard rock	59554	88983
106-b-II	Road way exc medium	19316	24966
108-a	Formation of embankment (common)	28401	27006
108-Bi	Form of emb Rock)	5696	1399

Audit held that Variation Order No. 1 previously prepared was manipulated and fake-&-fictitious quantities were incorporated. Furthermore, the Variation Order No. 1(IPC 12) provided by the department was not even signed by the Engineer ACE Lahore, Deputy Director South, Dir Construction & Managing PKHA, which further strengthened the audit contention that fudging was made by all stake-holders in favor of the contractor.

Similarly, it was observed that the contract for improvement and rehabilitation of road from Gulshan Abad to Janana-Mill, P-3 was awarded to M/S Amanullah Contractors and allowed an up-to-date payment of Rs. 368 million till the last IPC No. 17 &VO-3. Further scrutiny of record revealed that the Resident Engineer/Project Manager of NESPAK and the department approved the rate of non-BOQ item i.e. PCC (1:3:6) Rs. 5861. It was further observed that the contractor was paid for the qty 4952.77 @ 6263.73 on an item of work PCC (1:3:6) as a non-BOQ item in the bill, thus excess payment of Rs. 1,991,015/- ( $6263.73 \times 4952.77 = 31,021,015.65$ ) than the approved/available rate by the supervisory consultant and department made.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in October 2019, the department replied that a detailed reply will be furnished after checking the record.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 135 & 152 (2018-19)**

**4.4.42 I. Non-forfeiture of 10% performance guarantee- Rs.20.001 million**

**II. Non-confirmation of recovery of mobilization advance- Rs.20.001 million**

**III. Non-forfeiture of bid security from the defaulting bidders- Rs.11.966 million (update executive summary table)**

According to the work order dated 01.10.2015, the road work shall be completed within the stipulated time limit i.e. up to 7.4.2018. Furthermore, according to C&W instruction to bidders if the performance bond or bank guarantee is not provided by the bidder in the required period then offer will be given to the next lowest bidder and so on the bid security of the defaulter bidder will be forfeited.

During audit of the Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2016-17, it was observed that the work "Improvement of 25 KM left over portion of Chukiyatan-Barawal-Shahi Road Dir Upper Package-III KM (16-21)" was awarded to M/S AM & Co. @ 7.13% below, with a completion up-to 7.4.2018 and Rs. 20,001,248/- was expended up-to 2<sup>nd</sup> running bill vide voucher dated 26.01.2016.

Audit has the following observations:

- i- Only mobilization advance amounting to Rs. 20,001,248/- was drawn in two equal installments and paid to M/S AM & Co. but neither work was started till 30<sup>th</sup> June 2017, nor were advances recovered from the contractor.
- ii- A 10% performance bond/guarantee amounting to Rs. 20,001,247/- (Rs. 200,012,476\*10%) was required to have been collected from M/S AM & Co. which was not done by the management and nothing was available for forfeiture in favor of the PKHA.
- iii- Later on, the work was assigned to another contractor M/S New Khan Builders vide notification dated 23.11.2017 and recovery of Mobilization Advance was started from the assignee contractor. However, total recovery of advance was not known because no detail of recovery was produced to audit.

Similarly, it was observed that the execution of work, "widening & blacktopping of Sakra to Gabin-Jabba Road Swat" were invited from contractors. Ten contractors participated in the financial bid. The work

was awarded to M/S Zainul Abideen at a cost of Rs.376, 240,436/- (12.77% below the tender cost) being the 2<sup>nd</sup> lowest instead of M/s Bakhtzada who was 1<sup>st</sup> lowest bidder (19% below the tender cost) with the plea that the bidder did not deposit additional security of Rs. 11.966 million as required under the rule.

The lapse occurred due to weak financial management.

When pointed out in July 2018, the department replied that a detailed reply will be furnished after checking the record.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 204 (2016-17) & 101, 108 (2018-19)**

**4.4.43 I. Unjustified payment to the contractor for defective design- Rs.91.351 million**

**II. Defective design of building by the consultant- Rs. 210.779 million**

According to contract agreement the consultant shall carry out their obligation with due diligence, efficiency and economy, in accordance with generally accepted provisional techniques and practices, and shall observe sound management practices and apply appropriate advance technology and save methods. The consultants always act, in respect of any matter relating to this contract or to services as faithful advisors to the clients and shall at all-time support and safe-guard the clients' legitimate interests in any dealing with sub consultants or third party.

During audit of the Executive Engineer C&W Division Swabi for the Financial Year 2018-19, it was observed that the "up-gradation of Bacha Khan medical complex Package-III" was awarded to M/s Zahir Shah & Brothers with a bid cost of Rs. 341.425 million and was allowed an up-to-date payment of Rs. 334.333 million up to 20<sup>th</sup> running bill vide voucher dated 25-06-2019. Further scrutiny of the relevant record revealed that Rs. 91.351 million were paid as non-BOQ items and included in the above-cited up-to-date payment, as detailed below;

Bid cost	Rs. 341.425million
None-BOQ	Rs. 91.351 million
Deviation	26.75 %

Audit held that the local office hired M/S NESPAK Consultants for the feasibility, design and supervision of the above-cited scheme for Rs. 19.226 million in order to efficiently execute the work. Contrarily, the cost of the scheme was revised and a deviation of 43.34% was observed in shape of non-BOQ items. It testifies that the original design was grossly faulty and flawed. Furthermore, in the presence of a full-fledged drawing, branch the hiring of consultant was unjustified and uneconomical.

The lapse occurred due to violation of rules and regulations.

When pointed out in October 2019, the department replied that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 84 (2018-19)**

#### **4.4.44 Non-evacuation of PKHA property from encroachers on DIK-Kotla Jam Road worth millions of rupees**

According to the Assistant Director (South) PKHA DIK/Bannu letter dated 06-04-2015 addressed to District Coordination Officer Bhakkar Punjab Province, 40.175 Marla PKHA land has illegally been encroached by various persons.

During audit of the Pakhtunkhwa Highways Authority (PKHA) Peshawar for the Financial Year 2016-17, it was observed that 50549 Kanal and 12 Marla land was acquired in 1980 for construction of D.I.Khan-Darya Khan Bridge and its allied components i.e. construction of road from KP boundary to Kotla Jam, construction of Dykes & Spur and provision of land for lake area as evident from the summary prepared by the Executive Engineer C&W H/Way Division D.I.Khan showing the background of the instant land and Executive Engineer C&W H/Way Division DIK letter dated 09-08-2017. (As detailed below):

<b>S #</b>	<b>Acquired from whom/Location</b>	<b>Land in Kanal-Marla</b>
1	Khyber Pakhtunkhwa Province	24775 Kanal& 18 Marla
2	Punjab Province	25773 Kanal& 14 Marla
	<b>Total</b>	<b>50549 Kanal&amp; 12 Marla</b>

Audit has the following observations:

- i- All land acquisitions were not available on record which needs to be produced to Audit for verification.
- ii- Mutation Deeds/Revenue record in favor of the KP Province/PKHA of the total land acquired was not available on record.
- iii- Demarcation of all the land acquired for DIK-Darya Bridge and its allied components was not made which needs to be ensured.
- iv- Bifurcation of state land i.e commercial on road side and cultivated/non cultivated was not available on record.
- v- Valuation tables showing the rate of property per Kanal/Marla circulated by the District Revenue Officers of both the Provinces were not available on record, hence the exact rate/value of the state property could not be ascertained.
- vi- The land located on main roads was illegally encroached by various personnel with collaboration of the revenue staff of Bhakkar Punjab Province as evident from the District Attorney letter dated 22.7.2017 addressed to DC DIK.
- vii- Illegal installation of filling stations etc. was made by the local people of Punjab and KP provinces.
- viii- Garbage dumping on roadside shoulders at KM-8 etc was made by the TMO DIK as evident from Dy: Director (South) PKHA letter dated 11.05.2015.
- ix- Only the Punjab Police Department has deposited Rs 24.000 million to PKHA on account of cost @ Rs 148837/marla of 8 Kanal and 1.25 marla land possessed for construction of Remote Search Park near Kotla Jam.
- x- No efforts were made by the Provincial Government for evacuation of the public land.

The lapse occurred due to weak internal controls.

When pointed out in July 2018, the department stated that a detailed reply will be furnished after consulting the original record.

Audit requested the department for holding of the DAC meeting vide letter dated 18-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends expediting the evacuation of the PKHA land.

**AP No. 182 (2016-17)**

#### **4.4.45 Irregular appointments of Project employees - Rs. 44.021 Million**

According to the Regulation Wing of the Government of Khyber Pakhtunkhwa Establishment Department Notification dated 06-12-2017, amendments has been made in the recruitment process for development projects sub-para(iv) of para3 by adding that “the appointing authority/administrative department keeping in view the number of the applicants may hire the services of a registered independent testing service/agency to be used as a screening tool in order to facilitate the short listing process as per project policy.”

During audit of the Emergency Rural Roads Rehabilitation Project Peshawar for the Financial Year 2017-18, it was observed that a sum of Rs. 44,021,463/- was paid to the project staff recruited without proper procedure, as laid down by the government.

Further scrutiny of the record revealed that the project staff was recruited without advertisement. Resultantly, the services of properly qualified staff were not acquired for the project and the deserving candidates were also deprived of a fair chance of competition.

Audit held that the payment made to the staff was irregular and unauthorized.

The lapse occurred due to weak internal controls and non-observance of rules and regulations.

When pointed out in February 2019, the department offered no response.

In the DAC meeting held on 07 & 08-10-2019, the department stated that it was mentioned that the C&W Deptt: will have to utilize the services of the already employed staff of the RDSP in the JICA project. It is pertinent to mention that RDSP project employees have properly been appointed through

the project policy and the same were later on continued through office orders. However, DAC did not agree and hence the Para stands.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 251 (2017-18)**

#### **4.4.46 Non-handing-over of the project assets worth millions of rupees**

According to S&GAD notification dated 13-3-1997, it is the duty of controlling officer to check that the government vehicles are used only for official purposes with prior approval obtained from the Head of the Department and the rate of Rs.1.25/- per kilometer to be recovered from the user.

During audit of the Emergency Rural Roads Rehabilitation Project Peshawar for the Financial Year 2017-18, it was observed that the project was completed in April 2017, as per the final progress report of the consultant. Almost all the works executed through contractors were completed in 2017-18. The final payment was made to the consultant in April 2017 meaning there by that all the supervision of the schemes were completed but still the costly vehicles were in custody of the consultants till February 2019, as detailed below;

<b>S. No</b>	<b>Presently in use of</b>	<b>Total No of vehicle</b>	<b>Type of vehicles</b>
1	Consultant (NESPAK)	17 Nos. Vehicles	11 Nos. Double Cabin 3 Nos. Single Cabin 2 Nos. Suzuki Bolan 1 No. Jeep

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in February 2019, the department replied that a detailed reply will be given after consulting the relevant record.

In the DAC meeting held on 07 & 08-10-2019, the department replied that as all the vehicles except 3 numbers of vehicles were provided to the consultants for the purpose of preparation of documents for JICA Phase-II have been handed over to the C&W Department. However, the DAC did not agree because the project vehicles need to be handed over to the Administration Department.

Audit recommends recovery of the vehicles and daily charges from the consultants concerned.

**AP No. 298 (2017-18)**

#### **4.4.47 Un-authorized allotment & retention of project vehicles**

According to S&GAD SO(T)NPIS&GAD/97 dated 13/3/1997, All the Government officers irrespective of their ranks/status shall be entitled to use only one vehicle for official duty.

During audit of the Emergency Rural Roads Rehabilitation Project for the Financial Year 2017-18, it was observed that two vehicles were allotted to the Project Director as per list of vehicles duly verified by the Administrative Officer of the Project. (As detailed below):

<b>S. No</b>	<b>Vehicle type</b>	<b>Model</b>	<b>Registration No</b>
1.	Pickup Double Cabin	2012	AA-2403
2.	Motor Car	2012	AA-2710

Similarly, a vehicle bearing registration No.AA-2255 was still in the custody of DD (Co-ordination) despite of the fact that the officer has been transferred from the Project.

Apart from the above, more than 11 vehicles were shown on the pool of the Project, which needs justification as the project is already closed and the officers transferred from the Project.

The lapse occurred due to weak internal controls and non-observance of rules and regulations.

When pointed out in February 2019, the management furnished no reply.

In the DAC meeting held on 07 & 08-10-2019, it was directed that the vehicles must be recovered immediately from the unauthorized users and handed over to the Administration Department.

Audit recommends implementing the DAC decision.

**AP No. 299 (2017-18)**

#### **4.4.48 Non-imposition of penalty on the contractors for delay in execution of works-Rs. 10.912 million**

According to (International Federation of Consulting Engineers (FIDIC), conditions of contract for Construction, clause 8.7, if the contractor fails to comply with sub-clause 8.2 (time for completion), the contractor shall pay delay damages to the Employer for this default as well as According to Para 23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the government through fraud or negligence on his part or the part of his subordinate.

During audit of the Emergency Rural Roads Rehabilitation Project for the Financial Year 2018-19, it was observed that the contract for the “Rehabilitation and Improvement of village Adezai to Sharekera road” was awarded to M/s Haji Sarwar Jan & Sons with the bid cost of Rs. 87.370 million with completion date 31-03-2014 in the acceptance letter. Moreover, while going through the agreement files and other relevant record, none of the contractors(detail in AP) recorded any grievances regarding the non-availability of funds in their initial applications. The Engineer-In-Charge was required to have imposed a 10% penalty amounting to Rs. 10.912 million by invoking penalty clause of the Contract Agreements, which was not done.

Audit held that non-completion of the said scheme has not only deprived the beneficiaries of the facilities but has also increased the cost.

The lapse occurred due to weak internal controls.

When pointed out in August 2019, the department replied that due to the law and order situation in the area, a justified extension of time was granted to the contractors in the original scope of work. Furthermore, due to increase in scope of work, by adding 2 Km length of road duly approved by the PDWP, additional time for completion was required.

In the DAC meeting held on 31-10-2019, it was directed that the requisite action would be communicated to Audit within 15 days for verification. However, no progress was intimated till finalization of this report.

Audit recommends implementing the DAC decision.

**AP No. 121 (2018-19)**

## Chapter – 5

### Education Department

#### 5.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ University Education.
- ❖ College Education.
- ❖ Secondary Education.
- ❖ Primary Education.
- ❖ Coordination of schemes for higher studies abroad.
- ❖ Grants of scholarship.
- ❖ Promotion of Scientific Research.
- ❖ Promotion of art and literature.
- ❖ Production and distribution of educational and scientific material.

#### Audit Profile of Education Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/ Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	362	11	13,561.704	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc</li></ul> (Excluding FAP)	03	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	36	11	13,561.704	N/A
4	Foreign Aided Projects (FAP)	01	01	3,553.266	N/A

#### 5.1 B) Comments on budget & accounts (variance analysis)

##### Summary of the Appropriation Accounts:

A summary of grants/appropriation of Education Department and expenditure by the department in financial year 2018-19 is given below:

**Non-Development;****(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
12-Higher Education Achieves and Libraries	NC21	13,924,764,000	210	13,924,764,210	10,026,178,938	(3,898,585,272)
46-Elementary and Secondary Education	NC21	6,656,898,000	180	6,656,898,180	1,373,893,641	(5,283,004,539)
<b>Total</b>		<b>20,581,662,000</b>	<b>390</b>	<b>20,581,662,390</b>	<b>11,400,072,579</b>	<b>(9,181,589,811)</b>

**Development;****(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
53-Education and Training	NC12	13,152,000,000	2,025,500,000	15,177,500,000	13,567,740,475	(1,609,759,525)
<b>Total</b>		<b>13,152,000,000</b>	<b>2,025,500,000</b>	<b>15,177,500,000</b>	<b>13,567,740,475</b>	<b>(1,609,759,525)</b>

**Overview of expenditure against the final grant;****(Rs. in million)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	20,581.66	11,400.07	(9,181.59)	(44.61)
Development	15,177.50	13,567.74	(1,609.76)	(10.61)
<b>Total</b>	<b>35,759.16</b>	<b>24,967.81</b>	<b>(10,791.35)</b>	<b>(30.18)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 30.18% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

**5.2 Classified Summary of Audit Observations**

Audit observations amounting to Rs.967.565 million were raised in this report during the current audit of Education Department. This amount also

includes recoveries of Rs 753.50 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

**Overview of Audit Observations;**

<b>S No.</b>	<b>Classification</b>	<b>Amount (Rs.)</b>
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	99,438,666
3	Irregularities	
A	HR/Employees related irregularities	221,181,008
B	Procurement related irregularities	20,746,887
C	Management of Accounts with Commercial Banks	292,130,988
4	Value for money and service delivery issues	233,749,985
5	Others	100,320,063

**5.3 Brief comments on the status of compliance with PAC directives:-**

<b>SN</b>	<b>Audit Year</b>	<b>Name of Department</b>	<b>Total No. of actionable points</b>	<b>Full compliance</b>	<b>Partial compliance</b>	<b>Nil compliance</b>
1.	2001-02	Education	49	42	-	07
2.	2002-03	-do-	16	10	-	06
3.	2003-04	-do-	06	03	-	03
4.	2004-05	-do-	22	10	-	12
5.	2005-06	-do-	13	07	-	06
6.	2007-08	-do-	10	06	-	04
7.	2008-09	-do-	06	02	-	04
8.	2009-10	-do-	11	02	-	09
9.	2010-11	-do-	33	15	-	18
10.	2011-12	-do-	13	09	-	04
11.	2012-13	-do-	10	04	-	06
12.	2013-14	-do-	19	09	-	10

## 5.4 Audit Paras

### 5.4.1 Loss due to drawl of fund through un-authentic documents - Rs.20.227 million

According to Para 8.2.3.2 of the Accounting Policies and Procedure Manual (APPM), Government employees shall also be held personally responsible for any loss or deficiency arising from theft, robbery, fraud or negligence on the part of any other government officer, to the extent to which it may be shown that the officer concerned contributed to the loss or deficiency by his/her own action or negligence.

During audit of the Elementary & Secondary Education Foundation Khyber Pakhtunkhwa for the Financial Years 2015-16, 2016-17 and 2017-18, it was observed that Rs 20.227 million were drawn from Iqra Farogh-e-Taleem Voucher Scheme (IFTVS) fund on account of tuition fee and books, etc. and paid to various private partner school owners during 2015-18. However, on physical verification these schools were not found physically on the ground and other buildings/houses were shown as schools' building. (As detailed below):

S#	Para #	District Program Office	Amount Drawn Rs (M)	Remarks
1	2	Mansehra	13.265	Other buildings were shown as school buildings by DPO Mansehra
2	51	Peshawar	6.962	DPO Peshawar has failed to show the school buildings
		<b>Total</b>	<b>20.227</b>	

Audit held that IFTVS fund was drawn through un-authentic documents. The activities were not monitored by the District Program Officers and Director Monitoring, resulting in fraudulent drawl of Rs 20.227 million to Public exchequer.

The lapse occurred due to financial mismanagement.

When pointed out in August 2019, the department stated that a detailed reply will be submitted after consulting the original record.

Audit requested the department for holding of the DAC meeting vide letter dated 30.09.2019. However, no DAC meeting was held till the finalization of this report.

Audit recommends recovery.

**AP No. 407 (2017-18)**

#### **5.4.2 Non-recovery of invested amount and interest accrued- Rs. 158.218 million**

According to Para 8.2.3.2 of the Accounting Policies and Procedure Manual (APPM), Government employees shall also be held personally responsible for any loss or deficiency arising from theft, robbery, fraud or negligence on the part of any other government officer, to the extent to which it may be shown that the officer concerned contributed to the loss or deficiency by his/her own action or negligence.

During audit of the Elementary & Secondary Education Foundation Khyber Pakhtunkhwa for the Financial Years 2015-16, 2016-17 and 2017-18, it was observed that Rs 45.830 million were reflected in trial balance for 2017-18, as the investment with Samba bank. On further verification, it was found that the fund was shown invested with Samba bank during 2012 through fictitious documents that were not available on record. Neither the principal amount was received back till 31.05.2019, nor interest at flat rate i.e 10% approximately accrued on investment, was credited to the foundation bank account, resulting in loss of Rs 158.218 million (approximately) to the public exchequer. (As detailed below):

**(Rs.)**

S#	Date of investment	Principal amount	Period	Date of maturity	Approx. Interest rate 10%	Total
1	01.01.2012 Presumptive basis	45,830,000	6 months	30.06.2012	4,583,000	50,413,000
2	01.07.2012	50,413,000	6 months	31.12.2012	5,041,300	55,454,300
3	01.01.2013	55,454,300	6 months	30.03.2013	5,545,430	60,999,730
4	01.07.2013	60,999,730	6 months	31.12.2013	6,099,973	67,099,703
5	01.01.2014	67,099,703	6 months	30.06.2014	6,709,970	73,809,673
6	01.07.2014	73,809,673	6 months	31.12.2014	7,380,967	81,190,640
7	01.01.2015	81,190,640	6 months	30.06.2015	8,119,064	89,309,704
8	01.07.2015	89,309,704	6 months	31.12.2015	8,930,970	98,240,675
9	01.01.2016	98,240,675	6 months	30.06.2016	9,824,067	108,064,742
10	01.07.2016	108,064,742	6 months	31.12.2016	10,806,474	118,871,217
11	01.01.2017	118,871,217	6 months	30.06.2017	11,887,121	130,758,338
12	01.07.2017	130,758,338	6 months	31.12.2017	13,075,833	143,834,172
13	01.01.2018	143,834,172	6 months	30.06.2018	14,383,417	158,217,589
				<b>Total</b>	<b>112,387,586</b>	<b>158,217,586</b>

The lapse occurred due to weak financial controls.

When pointed out in August 2019, it was stated that a detailed reply will be submitted later on.

Audit requested the department for holding of the DAC meeting vide letter dated 30.09.2019. However, no DAC meeting was held till the finalization of this report.

Audit recommends recovery.

**AP No. 409 (2017-18)**

#### **5.4.3 Un-authorized drawl of tuition fee- Rs. 23.864 million**

According to the list of terminated schools provided by the Training Coordinator EEF, the partner schools were not entitled/ eligible for payment of tuition fees.

During audit of the Elementary & Secondary Education Foundation Khyber Pakhtunkhwa for the Financial Years 2015-16, 2016-17 and 2017-18, it was observed that Rs. 23.864 million were drawn out of RPTP bank account No. 6083-00-7 on account of tuition fees and paid to the principals of the terminated partner schools. This resulted in un-authorized payment.

The lapse occurred due to extending undue favor at the cost of public money.

When pointed out in August 2019, the management stated that detail reply will be submitted after consulting the original record.

Audit requested the department for holding of the DAC meeting vide letter dated 30.09.2019. However, no DAC meeting was held till the finalization of this report.

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

**AP No. 452 (2017-18)**

#### **5.4.4 Loss due to non-recovery from foreign study scholars- Rs. 41.883 million**

According to clause 1 of the Surety Bond, the awardee shall be bound to serve the university for a period of 3-5 years of nomination for Ph.D. after his return from abroad and according to clause 6 of the Surety Bond, if the awardees fails to report for duty or leave the service of the University before the expiry of the bond period, the awardees were bound to pay/refund the total scholarship amount as liquidated damages and not as a penalty.

During audit of the Kohat University of Science & Technology Kohat for the Financial Years 2017-18 and 2018-19, it was observed that an amount of Rs. 41.883 million were spent on Faculty Development Scholarship (8 scholars) but they did not join back the University for at least 5-8 years, resulting in loss of Rs. 41.883 million.

The lapse occurred due to weak internal controls and violation of rules and regulations.

When pointed out in October 2019, the department stated that a detailed reply will be communicated later on after consulting the original record.

Audit requested the department for holding of the DAC meeting vide letter dated 01.11.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery from the scholars mentioned or from their guarantors.

**AP No. 376 (2018-19)**

#### **5.4.5 Loss due to non-deposit of funds in PLS bank accounts- Rs. 3.781 million**

According to the Finance Department Khyber Pakhtunkhwa letter dated 10.02.2014, bank accounts may be converted into PLS mode and profit earned to be deposited in Government Treasury under the relevant head of account.

During audit of the Kohat University of Science & Technology Kohat for the Financial Years 2017-18 and 2018-19, it was observed that Rs 7.698 million and Rs 1.139 million total Rs 3.837 million were drawn and paid to the bank on account of bank charges for the financial years 2017-18 and 2018-19 respectively. On verification of record, it was observed that university funds

were deposited in current instead of PLS bank account, despite the Finance Department, Government of Khyber Pakhtunkhwa, directives resulting into loss amounting to Rs 3.781 million to the institute (as detailed below):

S#	Bank Account	Finance Year	Approx Profit @ 5% (Rs.)
1	HBL 0343-00000767-03	2017-18	1,859,834
2		2018-19	1,921,399
<b>Total</b>			<b>3,781,233</b>

Audit held that on one hand funds were placed in a current account and on the other hand bank charges amounting to Rs 3.837 million was paid to the Bank.

The lapse occurred due to violation of Finance Department instructions/directives.

When pointed out in October 2019, the department stated that a detailed reply will be communicated later on after consulting original record.

Audit requested the department for holding of the DAC meeting vide letter dated 01.11.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 391 (2018-19)**

#### **5.4.6 Loss due to non-recovery of service charges- Rs. 2.968 million**

According to Dy: Commissioner Inland Revenue withholding unit-47 Regional Tax Office Peshawar letter dated 13.07.2017, services charges @ 10% and Rs 17.50% shall be deducted from companies and other than companies respectively.

During audit of the Kohat University of Science & Technology Kohat for the Financial Years 2017-18 and 2018-19, it was observed that Rs.29,675,504/- were paid to PERN Islamabad on account of the internet services provided to the University without deduction of 10% services charges amounting to Rs 2.968 million. (As detailed below):

S#	Financial Year	Amount drawn (Rs.)	10% services charges (Rs.)
1	2017-18	14,989,002	1,498,900
2	2018-19	14,686,502	1,468,650
<b>Total</b>		<b>29,675,504</b>	<b>2,967,550</b>

The lapse occurred due to weak controls.

When pointed out in October 2019, the department stated that a detailed reply will be communicated later on after consulting original record.

Audit requested the department for holding of the DAC meeting vide letter dated 01.11.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 398 (2018-19)**

#### **5.4.7 Loss due to deduction of income tax on profit– Rs. 2.298 million**

Under Clause-126 of the Second Schedule of the Income Tax Ordinance 2001, any income of a public sector university established solely for educational purposes and not for the purposes of profit is exempted from income tax, with effect from the 1st day of July 2013.

According to the Agriculture University Peshawar letter dated 10-04-2018, addressed to the Manager Habib Bank Limited, “the University being a government autonomous body and having active FTN Number, its revenue is exempted from all taxes under the Income Tax Ordinance 2001.”

During audit of the Agriculture University Peshawar for the Financial Year 2017-18, it was observed that an amount of Rs.379,772,960/- was invested with Habib Bank Limited at the interest rate of 6.05% per annum for the period 31-03-2017 to 31-03-2018. Accordingly, the interest of Rs.22,976,264/- was earned by the University. However, income tax deduction of Rs.2,297,626/- i.e. @ 10% on the profit earned was made by the tax authorities despite the fact that university was exempted from tax under Income Tax Ordinance 2001

The lapse occurred due to weak internal controls.

When pointed out in February 2019, it was stated that a detailed reply will be submitted after verification of record.

In the DAC meeting held on 04-07-2019, the DAC directed to pursue appeal with FBR for refund under intimation to Audit.

Audit recommends implementing the DAC decision.

**AP No. 172 (2017-18)**

#### **5.4.8 Loss on account of investment at lower rates - Rs. 1.60 million**

According to the minutes of the investment committee of its meeting held on 06-10-2017, BOM funds of Rs.40.00 million lying in reserve fund account (UBL) shall be invested with Habib Bank Limited @ 5.80% p.a.

According to the decision made by the Investment Committee in its meeting held on 18-12-2017, Rs. 191,117,070/- along with interest @ 6.10% [Total: Rs. 202,775,211] shall be reinvested with the Zarai Taraqiati Bank for a period of one year @ 6.45% and similarly another amount of Pension Fund of Rs. 1,400,000/- along with interest @ 5.20 % [Total: Rs. 1,472,800] shall also be invested with the Zarai Taraqiati Bank for a period of one year @ 6.45%.

During audit of the Islamia College University Peshawar for the Financial Year 2017-18, it was observed that the investment committee invested Rs.40.00 million with Habib Bank Limited @ 5.80%, which was the 3<sup>rd</sup> highest. The highest rate of 8.0% (Khushhali Bank) and the 2<sup>nd</sup> highest rate of 6.20% (Sindh Bank) were ignored without any cogent reasons. Furthermore, the stance of the management that Khushhali Bank was a non-scheduled bank, while on the other hand an amount of Rs.63.845 million of BOM had already been invested with the Khushhali Bank. This resulted in a loss of Rs. 880,000/- (Rs. 40,000,000 x 2.2% [8.0% – 5.8%]) to the University. Further scrutiny of the record revealed that in supersession of its own decision, the Investment Committee in its meeting held on 27-12-2017, decided to invest the amount of Rs. 202,775,211/- @ 6.10% and amount of Rs. 1,472,800/- @ 5.20% with the Habib Bank Limited Campus Branch, because Zarai Taraqiati Bank is a non-commercial bank. Audit held that investing an amount of Rs. 204,248,011/- at lower rates resulted into a loss of Rs. 725,814/- to the University Funds.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in February 2019, it was stated that a detailed reply will be furnished after consulting the relevant record.

In the DAC meeting held on 21-06-2019, the Department stated that while investing the funds, the interest rate offered and credit rating of bank considered, to ensure maximum return with minimum risk, recovery of the principal amount along with profit, HBL was considered the safest and secure for investment. Similarly, Zarai Taraqiati Bank is a non-commercial bank. So, the funds were invested with HBL. The DAC did not agree and directed that the investment was made at a lower rate and decided to stand the Para.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 254 & 261 (2017-18)**

#### **5.4.9 Non-recovery of outstanding electricity dues- Rs. 100.320 million**

According to the Directorate of Works University of Peshawar letter dated 23.07.2019, about sharing of expenditure of electricity bill in respect of campus peace corps to the seven institutions of the university campus.

During audit of the University of Peshawar for the Financial Year 2018-19, it was observed that electricity dues amounting to Rs.100.320 million were outstanding since January 1989 till June 2019 which was not recovered from Police Corps by the University of Peshawar.

It was further revealed that the Director Works requested to the other seven institutions of the university to pay their due share amounting to Rs.6,465,205/- as expenditure of electricity bill w.e.f January 2018 to June 2019 in respect of campus corps, but till the date of audit 18.09.2019 no response was received. This resulted in undue burden over the University resources.

The lapse occurred due to weak financial controls.

When pointed out in September 2019, the management stated that reply will be submitted after the observations are discussed with concerned offices.

Audit requested the department for holding of the DAC meeting vide letter dated 02.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP 183 (2018-19)**

**5.4.10 Non-recovery of outstanding dues from the leased property-  
Rs.33.224 million**

According to Rule 2.3 of the Financial Rules of Islamia College University Peshawar, the University or any other person generally or specifically authorized by it may apply to the collector for recovery of any sum due to the university under any head or otherwise and the Board shall there upon proceed to recover the sum due, as if it were arrears of land revenue.

During audit of the Islamia College University Peshawar for the Financial Year 2017-18, it was observed that in the below mentioned cases the agricultural land and commercial property were leased out in favor of various person but the revenue statement provided by the Board of Management (BOM) showed an amount of Rs. 33,224,487/-as outstanding against the leaseholders that needs to be recovered. (As detailed below):

<b>S. No</b>	<b>Property /Location</b>	<b>Outstanding Dues (Rs.)</b>
1.	Agricultural land at Rai-Mahal Charsadda	6,636,083
2.	Agricultural land at Harrichand Charsadda	13,014,666
3.	Agricultural land at Tarnab Charsadda	1,094,516
4.	Commercial property/ shops at Charsadda Bazar	1,041,779
5.	Commercial property/ shops at Khyber Bazar Peshawar	10,389,243
6.	Dr.Hakeem Shah for land of 4 kanals at Burij Hari Sing	300,000
7.	Asim Hayat Cabin no 2 & Mini Food Point	748,200
<b>Total</b>		<b>33,224,487</b>

The lapse occurred due to violation of rules & regulations.

When pointed out in February 2019, it was stated that a detailed reply will be furnished after consulting the relevant record.

In the DAC meeting held on 21-06-2019, the Department stated that it is a long standing issue of the Board of Management, Commercial as well as Agriculture property. The list of defaulters has already been sent to DG NAB as well as Ehtesab Commission. The DAC directed to recover the amount.

Audit recommends early recovery.

AP No. 248 (2017-18)

**5.4.11 Non-recovery of government dues from defaulting scholars- Rs.24.802 million**

As per terms and conditions of Ph.D. Programme, the scholars are required to re- join University after completion of Ph.D. and serve the same institute for 3 or 5 continuous years as the case may be. In case of failure, the scholar will repay the amount spent on his/her studies.

During audit of the Shaheed Benazir Bhutto Woman University Peshawar for the Financial Year 2018-19, it was observed that an amount of Rs. 24,802,699 was paid to various Foreign Universities as tuition fees and stipend for the Ph.D. scholars. Verification of record revealed that the Scholars served the University for three instead of five years as required under the contract agreement. (As detailed below):

<b>Name of Scholar</b>	<b>Dues (Detail)</b>	<b>Amount (Rs.)</b>	<b>Brief</b>
Asma Basit	Actual tuition+penalty=33588 poundsx190 = <b>6381720</b> Stipend + penalty =72000 US Dollarx100 = <b>7200000</b> Visa Fee, Air Fare & Bank Charges+penalty = <b>172919</b>	13,754,639	She completed her Ph.D. and returned to Pakistan on 11-06-2012. She remained absent after serving university for 03 years instead of 05 years.
Syeda Laila Naqvi	Tuition and Stipend +20% penalty=57362 poundsx190 = <b>10898780</b> Actual other expenses +20% penalty = <b>149280</b>	11,048,060	She was granted 03 years study leave. She joined the university on 12-08-2013. She refused to accept the slot of Assistant Professor (TTS). She is absent from duty since 16-08-2016.
<b>Total</b>		<b>24,802,699</b>	

The lapse occurred due to violation of rules and regulations.

When pointed out in September 2019, it was stated that a detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 11.11.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 287 (2018-19)**

#### **5.4.12 Non-recovery of the rent– Rs. 1.331 million**

According to the terms & conditions No. 3 of the lease agreements executed between the lessee and the Agriculture University Peshawar, during the lease period, the lessee will pay rent in advance. The owner/ lesser will have the right to terminate the lease agreement if the lessee fails to deposit rent or utility bills for one quarter.

During audit of the Agriculture University Peshawar for the Financial Year 2017-18, it was observed that Seventy Nine (79) shops are owned by the University. These shops were rented out to the individuals on a monthly rent basis. Further Scrutiny of the receipts of the shops revealed that monthly rent was not deposited by some shop keepers and an amount of Rs.1,330,827/- remained outstanding against them.

The lapse occurred due to weak internal controls.

When pointed out in February 2019, it was stated that a detailed reply will be submitted after verification of record.

In the DAC meeting held on 04-07-2019, the Department was directed to recover the full amount.

Audit recommends implementing the DAC decision.

**AP No. 170 (2017-18)**

#### **5.4.13 Non-recovery of the unauthorized withdrawal from departmental development funds through twelve (12) missing Cheques**

According to Hazara University Employees Efficiency and Discipline Statutes 2016, “Misconduct means conduct prejudicial to good order or service discipline of the University or any act which amount to an offence under any Law for the time being in force or unbecoming of a gentleman, and includes

any act on the part of an employee to being, or attempt to bring, political or other outside influence, directly or indirectly to bear on the University or any University official, in respect of any matter relating to this appointment, promotion, transfer, punishment, retirement or other conditions of his service.

During audit of the Hazara University Mansehra for the Financial Years 2017-18 & 2018-19, it was observed that twelve (12) cheques of Departmental Development Fund were reportedly missing. Two inquiries were conducted wherein the Syndicate did not agree with the recommendations in the Inquiry Report and ordered for De-Novo Inquiry of the matter. In light of the latest Inquiry Report, the Syndicate decided to issue Charge Sheets to Dr. Sohail Farooq (AP) & Hafiz-ur-Rehman (Lecturer) being the custodian and co-signatories, whereas Mr. Muhammad Faheem (N/Q) was removed from service. Charge Sheet was issued to Dr. Hafiz ur Rehman (Lecturer) in June 2018, while he was also granted Extra Ordinary Leave (EOL) to pursue his Ph.D. studies w.e.f. 01-10-2018, before concluding the matter and recovery of the unauthorized withdrawal.

Audit held that the lapse occurred due to weak financial management and internal controls.

When pointed out in September 2019, the management stated that reply will be submitted after consulting of record with concerned sections.

Audit requested the department for holding of the DAC meeting vide letter dated 21.10.2019. However, the DAC meeting was not convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 356 (2018-19)**

#### **5.4.14 Unauthorized payment of Unattractive Area Allowance– Rs. 91.854 million**

According to Provincial Cabinet decision made in its meeting held on 30-03-2010 and incorporated in the Khyber Pakhtunkhwa Establishment Code (Revised Edition 2011), the following areas were declared as unattractive areas:

- i. Kohistan District.
- ii. Tank District.

- iii. Chitral District.
- iv. Battagram District.
- v. Shangla District.
- vi. Hangu District.
- vii. PATA areas of Mansehra (Kala Dhaka)

During audit of the Hazara University Mansehra for the Financial Years 2017-18 & 2018-19, it was observed that Unattractive Area Allowance/ Hardship Allowance of Rs.91,853,868/- (45902552+45951316) was paid to all the regular staff of the university. The said allowance was not admissible in the Hazara University Mansehra, being not declared as Unattractive Area by the Provincial Cabinet. This Allowance was allowed under the University Statutes 2016, in contradiction to the Provincial Cabinet decision. Devising statutes in contradiction to the Provincial Cabinet decisions, led to the unauthorized payment of Unattractive Area Allowance of Rs.91,853,868/-

The lapse occurred due to devising University Statutes in contradiction to the Provincial Cabinet decisions.

When pointed out in September 2019, the management stated that detailed reply will be submitted after consulting of record with concerned sections.

Audit requested the department for holding of the DAC meeting vide letter dated 21.10.2019. However, DAC meeting was not convened till the finalization of this report.

Audit recommends recovery.

**AP No. 344 (2018-19)**

#### **5.4.15 Un-authorized drawl of conveyance allowance– Rs.10.782 million**

According to Finance Division Office Memorandum dated 28.4.1977, no conveyance allowance be allowed to those incumbents provided Government residential accommodation within the office/college premises.

During audit of the Agriculture University Peshawar for the Financial Year 2018-19, it was observed that various staff of University was provided Government accommodation in the University premises but on the other hand they were also allowed Conveyance Allowance amounting to Rs.10.782 million for which they were not entitled. This resulted in unauthorized payment of conveyance Allowance.

The lapse occurred due to weak controls and non-observance of Government rules & regulations.

When pointed out in September 2019, the department replied that the Para is related to registrar office. Reply will be provided after the consent of the registrar.

The department was requested for holding of the DAC meeting vide letter dated 02.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery from the date of actual allotment from the occupants.

**AP No. 243 (2018-19)**

**5.4.16 Un-authorized expenditure on maintenance & repair of buildings- Rs. 10.397 million**

According to rule 14.1.1 of the Financial Rules of the University of Islamia Collage Peshawar, the University shall incur expenditure on the preservation of its building and structures under the classified head of “University Building Residential Building Hostels and other Structure & Minor Works”. All these works and minor works for which separate and individual estimates are made by the Directorate of Works and approved by the Vice-Chancellor or the Treasurer as the case may be.

According to rule 14.2.1 of the Financial Rules of the University of Islamia Collage Peshawar, no payments to any contracting firm shall be allowed the work carried out is measured and recorded in the Measurement Book.

During audit of the Islamia College University Peshawar for the Financial Year 2017-18, it was observed that expenditure of Rs. 10,397,476/- was incurred under head Maintenance and Repair on works of residential and university buildings, without adopting open tender system. The works were split-up to avoid open tender system in violation of rules. Not a single entry of M&R works was recorded in the Measurement Book as required under the rules, besides all the payments were made in cash instead of Cheque, for which no acknowledgment from the recipient was obtained, which needs justification. The Works were carried out under the supervision of the professor in charge of M&R, without involving the Directorate of Works. A non-technical person

incurred the expenditure, when the most suitable Directorate of Works, having experience and technical staff, was required to have carried out the maintenance and repair work.

The irregularity occurred due to weak internal controls and financial mismanagement.

When pointed out in February 2019, it was stated that a detailed reply will be furnished after consulting the relevant record.

In the DAC meeting held on 21-06-2019, the Department stated that M&R Section receives multiple and variable requests on daily basis and all these requests are of urgent nature. The amount pertains to the whole financial year. The DAC decided to probe the matter under intimation to audit.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 255 (2017-18)**

#### **5.4.17 Un-authorized payment on account of Conveyance Allowance- Rs.5.909 million**

According to the Finance Division Office Memorandum dated 28-04-1977, read with the decision taken by the Honorable Peshawar High Court, no conveyance allowance be allowed to those incumbents provided government residential accommodation within the Office/University Campus premises.

According to the decision of the Honorable Peshawar High Court Peshawar N.P.No 304-P/2013, the Civil Servants, residing within the premises of the same building, where their place of work/office is situated, are not entitled to the conveyance allowance.

During audit of the Islamia College University Peshawar for the Financial Year 2017-18, it was observed that 124 University accommodations were provided to various teaching/non-teaching staff within the campus area, but all of them were paid conveyance allowances. The verification of record revealed that Rs.148,483/- and Rs.344,009/- were paid monthly as Conveyance Allowance, totaling to Rs. 5,909,904/- during the Year (Rs.148483 X 12 + 344009 X 12). This resulted in unauthorized payment.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in February 2019, it was stated that a detailed reply will be furnished after consulting the relevant record.

In the DAC meeting held on 21-06-2019, the Department replied that currently the premises/boundaries of the offices/University Campus have not been defined therefore no conditions laid down for deduction thereof. However, the audit observation has been referred to the Syndicate. The DAC did not agree and it directed that recovery be made.

Audit recommends recovery.

**AP No. 265 (2017-18)**

#### **5.4.18 Unauthorized payment on account of TA/DA- Rs. 1.183 million**

According to the Governor Secretariat Peshawar Letter dated 08-03-2018, no financial liabilities will be borne by the Provincial Government or the University .

During audit of the Women University Swabi for the Financial Year 2018-19, it was observed that Rs.1,182,807/- was paid to Khanzadi Fatima Khattak, Ex VC on account of TA & DA and Air fare on her visit to UK for receiving Fellowship Certificate by the Royal Society of Chemistry UK & Signing MOUs with the Universities is in contradiction to above mentioned order of the government.

Audit held that Fellowship Certificate by the Royal Society of Chemistry UK was awarded to the EX VC in private capacity. Written order issued by the Governor Secretariat indicates that payment on account of TA /DA & Air-fare was unauthorized. This resulted in loss to the exchequer.

The lapse occurred due to violation of Governor Secretariat instructions/letter.

When pointed out in September 2019, it was stated by the Management of University that a detailed reply will be furnished before DAC.

Audit requested the department for holding of the DAC meeting vide letter dated 24.10.2019. However, DAC meeting was not convened till the finalization of this report.

Audit recommends recovery.

**AP No. 320 (2018-19)**

#### 5.4.19 Un-authorized payment to Vice Chancellor- Rs. 1.418 million

According to “Enhanced Salary Package” announced by the Government of Khyber Pakhtunkhwa Higher Education, Archives and Libraries Department vide Notification dated 28-03-2012 duly approved by the Governor Khyber Pakhtunkhwa/Chancellor, the Vice-Chancellors of all Public Sector Universities are entitled to the following package.

(Rs.)

Category	Minimum	Increment	Maximum	Stages
Vice-Chancellors/Director	234,000	11,440	405,600	15

According to the above notification the salary package will be all-inclusive and no other allowance will be admissible except Vice-Chancellor allowance @20% of the basic salary, Transport and medical facility as per entitlement of BPS-22.

During audit of the Shaheed Benazir Bhutto Woman University Peshawar for the Financial Year 2018-19, it was observed that the below mentioned payment on account of Medical allowance, Headship allowance and Student Financial Aid Office was made to Professor Dr. Razia Sultana Vice-Chancellor for which she was not entitled.

(Rs.)

S. No	Allowance	Monthly Rate	Period	Months	Total
01	Medical Allowance	8,320	09-04-2014 to 31-07-2019	64	532,480
02	Headship Allowance	4,000	-do-	64	256,000
03	Student Financial Aid	50,000	01-07-2018 to 31-12-2018	06	300,000
04	-do-	55,000	01-01-2019 to 30-06-2019	06	330,000
<b>Total</b>					<b>1,418,480</b>

Audit held that the payment of Rs.1,418,480/- made to Dr. Razia Sultana is unauthorized and misuse of the authority by Vice-Chancellor.

The lapse occurred due to weak controls and violation of rules/regulations.

When pointed out in September 2019, it was stated that a detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 11.11.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 289 (2018-19)**

#### **5.4.20 Irregular and unjustified hiring of CPL/DPL involving expenditure – Rs. 54.909 million**

According to Khyber Pakhtunkhwa Universities Act 2012 amended up to 2016, Para 11 (3) provides that the VC may, if in his opinion requires immediate action not in the competence of the VC, take any such action as he may deem appropriate and shall report the action so taken to the Syndicate in its next immediate meeting for permanent decision, provided that the action taken by the VC in emergency shall not include making any kind of appointments.

During audit of the Agriculture University Peshawar for the Financial Year 2017-18, it was observed that an expenditure of Rs.54,909,339/- was incurred on the pay/ wages of the Contingent Paid Labour/ Daily Paid Labour (CPL/DPL). In this regard, the following observations were raised:

1. Even though sufficient class-IV staff is available, the hiring of Drivers, Mali, Naib Qasids, etc. as CPL/ DPL staff seems irregular, unjustified & unnecessary and in violation of KP Universities Act, as quoted above, as the VC was not competent to make any appointment, while all the appointments/rehiring of CPL/DPL were made without the Selection Committee and Syndicate approval.
2. The hiring of CPL/DPL should be made for a definite period/ assignment, while in the Agriculture University, the CPL/DPL staff hired on a routine basis and extensions were granted from time to time. Most of the CPL/DPL, after rendering services for a certain period, get their services regularized on the directives of the court of law. It is worth mentioning here that the CPL/DPL appointments were not made against the properly budgeted and sanctioned posts, even though their services are regularized.
3. Keeping in view the law & order situation, direct hiring of CPL/DPL staff without proper verification/clearance of the individuals, was also a serious violation.

The irregularity occurred due to violation of the KP Universities Act.

When pointed out in February 2019, it was stated that a detailed reply will be submitted after verification of record.

In the DAC meeting held on 04-07-2019, the Audit Para was referred to a committee to be constituted to probe the matter under the directives of the Syndicate.

Audit recommends implementing the DAC decision.

**AP No. 164 (2017-18)**

**5.4.21 Irregular appointment and contract extensions in r/o lecturer involving pay & allowances– Rs. 4.616 million**

According to KP Universities Act, 2012 amended in 2016, Para 11 (5) (e) provides that “The Vice-Chancellor shall have the power to appoint employees on contract basis against the properly created budgeted posts for a period not exceeding three years on the recommendations of a Selection Committee constituted by the Syndicate; provided that no extension shall be admissible beyond the period of three years”

During audit of the Hazara University Mansehra for the Financial Years 2017-18 & 2018-19, it was observed that arrears pay bill of Rs.1,138,842/- was paid to Mr. Sanaullah Hassan Zai (Adhoc Lecturer) for the period 8/2015 to 04/2017. Further Scrutiny of his Personal File, minutes of 39<sup>th</sup> Syndicate meeting held on 26.10.2018 and Inquiry Report showed the following irregularities in his initial illegal appointment and extensions from 2012 to 2017:

1. Mr. Sanaullah Hassanzai was appointed without any advertisement/walk-in interview notice by the university, in violation of the KP Universities Act.
2. Complete set of his academic documents were neither available nor verified.
3. He claimed experience at NDMA/UNDP from 06/2010 to 12/2011 while he showed admission into the MS course on 21-09-2009 as full time.
4. He used to submit the downloaded data as the status of tasks.
5. He was not regular in his attendance and marked the fake attendance.
6. The Inquiry Report shows he was favored in his initial appointment as well as extensions from time to time by the then-Registrar and Director Establishment-I.

No action was taken against Mr. Sanaullah Hassanzai (Lecturer), by the then Registrar and Director Establishment-I. Hence, the drawl of Rs.4,615,838 (74449 x 62) on account of pay & allowances was unauthorized due to illegal appointment.

The lapse occurred due to violation of rules and regulations.

When pointed out in September 2019, the management stated that detailed reply will be submitted after consulting the record with concerned sections.

Audit requested the department for holding of the DAC meeting vide letter dated 21.10.2019. However, DAC meeting was not convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person at fault.

**AP No. 358 (2018-19)**

**5.4.22 Overpayment due to allowing a higher rate of Medical Allowance as admissible under the government orders- Rs. 33.753 million**

Rates of Medical Allowances were revised with effect from 1.7. 2010 from Rs. 500/- pm to 1000/-pm from BPS 1-15 & 16 and 15% of basic pay from 16-22 and further revision from Rs. 1200/- to Rs. 1500/- was made from BPS-1 to 15 and 25% increase from BPS 16-22 wef 1.7.2015

During audit of the Agriculture University Peshawar for the Financial Year 2018-19, it was observed that an overpayment of Rs. 33.753 million was made to various teaching, non-teaching, ministerial and class-IV staff due to allowing higher rates of Medical Allowance as admissible under government notification referred above. This resulted in overpayment. (As detailed below):

**(Rs.)**

<b>S. No</b>	<b>Cadre</b>	<b>Per Month</b>	<b>Months</b>	<b>Total Amount</b>
1	Admin & Teaching Staff	742,607	12	8,911,284
2	Class-3 Staff	1,003,622	12	12,043,464
3	Class IV Staff	1,066,568	12	12,798,816
<b>Total</b>		<b>2,812,797</b>	<b>12</b>	<b>33,753,564</b>

The lapse occurred due to weak controls and non-observing government rules and regulations

When pointed out in September 2019, the department replied that the university is autonomous body of the Federal Government and the cited rate of Medical Allowance is not applicable.

The department was requested for holding of the DAC meeting vide letter dated 02.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 240 (2018-19)**

#### **5.4.23 Overpayment on account of Conveyance Allowance- Rs. 8.648 million**

According to clause-4 of the Peshawar High Court decision in writ petition No.304-P/2013, dated 28.2.2013, the Government employees residing within the parameter of the office premises are not entitled for conveyance allowance.

During audit of the Kohat University of Science & Technology Kohat for the Financial Years 2017-18 and 2018-19, it was observed that the employees were provided accommodation facilities in university premises and they were also paid conveyance allowance, resulting in overpayment, amounting to Rs 8.648 million, (as detailed below):

**(Rs.)**

S#	Description	No. of employees	Cony:Allow drawn	Period	Months	Total amount
1	Staff hostel-2 (Officers)	14	5,000	7/17 to 6/19	24	1,680,000
2	Hostel-3 (Officers)	18	5,000	7/17 to 6/19	24	2,160,000
3	Girls hostel (Lecterar)	9	5,000	7/17 to 6/19	24	1,080,000
4	Ministerial Hostel	13	5,000	7/17 to 6/19	24	1,560,000
	-do-	30	1,785	7/17 to 6/19	24	1,285,200
5	Residential houses	7	5,000	7/17 to 6/19	24	840,000
		1	1,785	7/17 to 6/19	24	42,840
					<b>Total</b>	<b>8,648,040</b>

The lapse occurred due to weak internal controls.

When pointed out in October 2019, the department stated that a detailed reply will be communicated later on after consulting original record.

Audit requested the department for holding of the DAC meeting vide letter dated 01.11.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 379 (2018-19)**

**5.4.24 Overpayment due to non-deduction of Conveyance Allowance – Rs.3.473 million**

According to the judgment of Peshawar High Court circulated by Finance Department vide their letter dated 02-04-2013, Govt servant provided with Govt residential accommodation situated within their work premises are not entitled to conveyance allowance.

During audit of the Hazara University Mansehra for the Financial Years 2017-18 & 2018-19, it was observed that an amount of Rs.3,473,304/- was paid to the officers/ officials of the university on account of conveyance allowance. However, residential accommodations were also provided to them within the premises of the university. The payment of conveyance allowance to the staff residing within the premises of the university was not admissible.

The irregularity occurred due to weak internal controls and violation of rules.

When pointed out in September 2019, the management stated that detailed reply will be submitted after consulting of record with concerned sections.

Audit requested the department for holding of the DAC meeting vide letter dated 21.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 361 (2018-19)**

**5.4.25 Overpayment due to grant of irregular additional charge to TTS faculty member- Rs. 4.960 million**

According to Section 15 (1) of the Khyber Pakhtunkhwa Universities Act 2012 (amended 2016), there shall be a Controller of Examination of the University to be appointed on regular basis by the Syndicate from panel of

upto three candidates recommended by the Selection Board in order of merit provided that no member of the teaching faculty shall be assigned the duties of the Controller of Examination on acting or dual charge basis beyond the period of three months.

According to Annexure-“A” of Shaheed Benazir Bhutto Women University Tenure Track system Statutes 2016, only a tenured faculty member can be assigned the responsibility of an administrative position of Director Research, Dean of a faculty and Head of a Department only. A faculty member on the tenure track is expected to be actively involved in research.

According to Para 2 (b)(I & II) &3 of Higher Education Commission letter dated 12-04-2016, (copy enclosed) “ 2(b)After June 30, 2014, only a tenured faculty member can take administrative appointments such as Director Research, Dean of a faculty and Head of Department only. It has been observed that some faculty members on tenure-track, without completing their probation period, start working on such positions. Moreover, some faculty members on tenure-track or tenure assume the administrative posts such as Registrar, Director HR, Treasurer, Controller of Examination etc openly or under the cover of “acting” “look after” or “additional charge”. In this regard, the following decisions have been made:

- (i) If a faculty member assumes an administrative post in the university, such as Registrar, Director HR or Treasurer etc. then the period for which he/she remains on that post shall not be counted toward his/her TTS service on tenure or tenure-track and during that period he/she will not be eligible to draw TTS salary.
- (ii) After June 30, 2014, if a faculty member on Tenure Track assumed responsibility of academic administrative position of Director Research, Dean of a faculty or Head of a Department, the period of holding such an appointment shall not be counted toward his/her TTS probation period on Tenure Track and he/she will not be eligible to draw TTS salary.
- (iii) The Government of Pakistan is giving amount of incentives to engage faculty members in research in their respective fields and if they involve themselves on other activities, the same purpose will be lost. The Universities, therefore, need to strictly follow the above mentioned instructions in true letter and spirit.

During audit of the Shaheed Benazir Bhutto Woman University, Peshawar for the Financial Year 2018-19, it was observed that Dr. Rubi Bilal, Assistant Professor, Department of Mathematics was assigned duties of

Controller of Examination in addition to her own duties vide office order dated 27-01-2014, for a period of six months and she was still holding the charge even after a lapse of more than 05 years. On one hand, the academic activities were suffered due to the engagement of teaching faculty in administrative affairs and on the other hand undue favour was extended at the cost of government to the teacher. It is also worth mentioning that an amount of Rs.8,308,213 was incurred on PhD scholarship of Rubi Bilal. She is also drawing TTS salary since holding the charge of Controller of Examination which tantamount to overpayment as per instructions quoted *ibid*.

The lapse occurred due to violation of rules and regulations.

When pointed out in September 2019, it was stated that a detailed reply will be furnished after consulting the relevant record.

The department was requested for holding of the DAC meeting vide letter dated 11.11.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 291 (2018-19)**

#### **5.4.26 Overpayment on account of House Rent Allowance - Rs. 3.021 million**

According to Section 1 of the Government of Khyber Pakhtunkhwa Higher Education Department letter dated 30-04-2012, the salary package will be all-inclusive. The incumbent will not be entitled to any other allowance such as House Rent Allowance, Conveyance Allowance etc.

During audit of the Women University Swabi for the Financial Year 2018-19, it was observed that Rs. 3.021 million was paid to the Vice-Chancellor on account of House Rent for 3 years. The House Rent Ceiling as BPS-22 officer was Rs.45576, so, Rs.1.64 million was admissible to her during her tenure. The amount of Rs. 1.38 million (3.02-1.64) was paid in excess.

The lapse occurred due to weak internal controls.

When pointed out in September 2019, it was stated by the management that a detailed reply will be furnished before DAC.

Audit requested the department for holding of the DAC meeting vide letter dated 24.10.2019. However, DAC meeting was not convened till the finalization of this report.

Audit recommends recovery.

**AP 327 (2018-19)**

**5.4.27 Overpayment due to less deduction of Income Tax from teachers working on administrative posts- Rs. 1.853 million**

According to Section 43 (d)(ii) & (iii) of the second schedule to the Income Tax Ordinance 2001 In part-III in clause (2) reduction is tax liability of the tax payable on income from salary equal to 75% has been reduced to 40% in the case of :-

- (ii) A full-time researcher employed in a research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution.
- (iii) It is further clarified that a full time teacher means a person employed purely for teaching and not performing any administrative or managerial jobs e.g principals, headmasters, directors, vice-chancellors, chairman, controller etc. Similarly a full-time researcher means a person purely employed for the research institution and such an institution is purely performing research activities.

During audit of the Agriculture University Peshawar for the Financial Year 2018-19, it was observed that an amount of Rs. 1.853 million was less deducted from the teachers of the university posted on administrative posts, which resulted into overpayment.

The Lapse occurred due to weak internal controls.

When pointed out in September 2019, the Department replied that the item for recovery of the said amount has been prepared and will be put to the coming F&PC which will be held on 23-09-2019. In light of the syndicate decision on the recommendation of F&PC, action will be taken and Audit will be informed

The Department was requested for holding of the DAC meeting vide letter dated 02.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP 241 (2018-19)**

**5.4.28 Less deduction of house rent and non-recovery of 5% maintenance charges amounting to Rs.1.936 million**

Fundamental Rule 45 requires that house rent allowance, 5% maintenance charges, and conveyance allowance should not be paid to those who have been provided Government accommodations and vehicles.

During audit of the Kohat University of Science & Technology, Kohat for the Financial Years 2017-18 and 2018-19, it was observed that accommodation facilities were provided to employees, but they were also paid House Rent Allowance regularly. On verification, it was also observed that house rent deduction was made on a lesser rate and 5% maintenance charges were not deducted from their salaries, resulting in less deduction of house rent and non-recovery of 5% maintenance charges amounting to Rs 1.936 million. (As detailed below):

<b>S#</b>	<b>Description</b>	<b>Amount Rs.</b>
1	House Rent allowance	1,000,632
2	5% maintenance charges	935,240
<b>Total</b>		<b>1,935,872</b>

The lapse occurred due to weak controls.

When pointed out in October 2019, the department stated that a detailed reply will be communicated later on after consulting original record.

Audit requested the department for holding of the DAC meeting vide letter dated 01.11.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP 385(2018-19)**

#### 5.4.29 Non-deposit of profit in Government Treasury- Rs. 130.131 million

According to Para-2 of the Government of Khyber Pakhtunkhwa Finance Department notification dated 10.02.2014, accounts may be converted to PLS mode and profit earned be deposited in Government Treasury under the relevant head of account immediately and not later than a week when declared by the concerned bank.

During audit of the Elementary & Secondary Education Foundation Khyber Pakhtunkhwa for the Financial Years 2015-16, 2016-17 and 2017-18, it was observed that profit earned on PLS accounts, in the Bank of Khyber, amounting to Rs 130.131 million was not deposited in government Treasury, in violation of the Finance Department Khyber Pakhtunkhwa directives. (As detailed below):

S#	Description	Account No.	Period	Profit earned (Rs.)
1	IqraFarogh-e-Taleem	PLS-6655-00-6	2015-18	1,2743,485
2	Girls Community Schools (1000)	PLS-6656-00-2	2015-18	30,292,940
3	Operational Account	SDA 02194-00-7	2015-18	32,426,356
4	Girls Community Schools (200)	SDA 02989-00-0	2015-18	545,360
5	Fazle Ali Memorial School Swat	SDA 04716-00-0	2015-18	4,576,553
6	CST & CLC Project	SDA 06173-00-2	2015-18	4,750,387
7	Girls Community Schools Ph: II	SDA 06965-00-8	2016-18	2,752,696
8	Endowment Fund	SDA 01995-00-6	2015-18	14,466,018
9	MMPS DIK	SDA05230—00-2	2015-18	11,307,008
10	BMS Buner	SDA 05490-00-4	2015-18	829,312
11	BKMPS Pabbi	SDA 05782-00-1	2015-18	1,125,262
12	RPTP	SDA 6083-00-7	2015-18	14,315,811
			<b>Total</b>	<b>130,131,188</b>

The lapse occurred due to weak financial controls.

When pointed out in August 2019, the department stated that a detailed reply will be submitted after consulting the original record.

Audit requested the department for holding of the DAC meeting vide letter dated 30.09.2019. However, no DAC meeting was held till the finalization of this report.

Audit recommends deposit of profit in Government Treasury.

**AP No. 412 (2017-18)**

#### **5.4.30 Non-deposit of Income Tax, Stamp Duty and GST realized - Rs.4.475 million**

According to Para 5.2.3.1 of the Accounting Policies and Procedure Manual (APPM), The Principal Accounting Officers of those entities responsible for administering revenue collections (such as tax authorities) must ensure that all sums due to the Government are promptly realised, banked and credited to the Consolidated Fund.

During audit of the Elementary & Secondary Education Foundation Khyber Pakhtunkhwa for the Financial Years 2015-16, 2016-17 and 2017-18, it was observed that Income Tax, Stamp Duty and GST amounting to Rs 4.475 million realized from various suppliers, dealers, contractors and salaries but was not yet deposited in Government Treasury. (As detailed below):

<b>S#</b>	<b>Para #</b>	<b>Description</b>	<b>Amount (Rs in million)</b>
1	36	Income Tax	3.660
2	47	Stamp Duty	0.501
3	49	GST	0.314
<b>Total</b>			<b>4.475</b>

The lapse occurred due to weak internal controls.

When pointed out in August 2019, the management stated that detailed reply will be submitted after consulting the original record.

Audit requested the department for holding of the DAC meeting vide letter dated 30.09.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends deposit of Tax amount in Government Treasury.

**AP 432 (2017-18)**

#### **5.4.31 Fictitious drawl of EVS fund for private schools not exist in survey report - Rs.55.347 million**

According to project survey report payment on account of tuition fees, books & uniform, etc. should only be paid to the schools covered in the survey report.

During audit of the Elementary & Secondary Education Foundation Khyber Pakhtunkhwa for the Financial Years 2015-16, 2016-17 and 2017-18, it was observed that Rs. 55.347 million was drawn from IFTVS bank account BOK 6655 on account of tuition fees, books & uniform, etc. and paid to DPOs/school's principals, for students of various schools which were not included in the survey report, resulting in the fictitious drawl of fund.

The lapse occurred due to weak internal controls.

When pointed out in August 2019, the department stated that a detailed reply will be submitted after consulting the original record.

Audit requested the department for holding of the DAC meeting vide letter dated 30.09.2019. However, no DAC meeting was held till the finalization of this report.

Audit recommends recovery.

**AP 421 (2017-18)**

#### **5.4.32 Excess drawl of Students Fund - Rs. 17.812 million**

According to the survey report provided by the management to audit, student's fee etc should not be drawn in excess of the student's strength.

During audit of the Elementary & Secondary Education Foundation Khyber Pakhtunkhwa for the Financial Years 2015-16, 2016-17 and 2017-18, it was observed from the available record that Rs 17.812 million was drawn from IFTVS fund bank account BOK-6655 over the student's strength as per survey report. (As detailed below):

<b>S#</b>	<b>District</b>	<b>Amount drawn Rs</b>
1	District Program Officer DIK	1,759,495
2	District Program Officer Kohat	87,500
3	District Program Officer Mardan	2,500,173
4	District Program Officer Swat	2,237,794
5	District Program Officer Mansehra	1,141,049
6	District Program Officer Peshawar	10,085,986
<b>Total</b>		<b>17,811,997</b>

The lapse occurred due to weak internal controls.

When pointed out in August 2019, the management stated that detailed reply will be submitted after consulting the original record.

Audit requested the department for holding of the DAC meeting vide letter dated 30.09.2019. However, no DAC meeting was held till the finalization of this report.

Audit recommends recovery.

**AP 423 (2017-18)**

**5.4.33 Non-adjustment of advances within stipulated time - Rs. 87.295 million**

According to clause 8.2.0 of the University of Peshawar Financial Rules 2001, the advance holder should render the statement of expenses within one month of incurring the expenditure duly supported by cash memos and evidence that all codal formalities wherever applicable have been duly observed. An advance may not be drawn unless it is immediately required.

During audit of the University of Peshawar for the Financial Year 2018-19, it was observed that a sum of Rs.86,655,066/- was paid as advance to university employees for various purposes, however, no adjustment thereof or recovery could be made within one month from the concerned. (As detailed below):

<b>F.Y</b>	<b>Total un-adjusted amount (Rs.)</b>
2018-19	30,761,465
2017-18	23,031,243
2016-17	9,121,998
2015-16	11,085,740
2010-11	12,654,620
<b>Total</b>	<b>86,655,066</b>
<b>2011 to 2014</b>	<b>Detail was not provided.</b>

Similarly, no adjustment for the advances sanctioned by the provost office was made for the following amounts:-

<b>Cheque No.</b>	<b>Date</b>	<b>Amount Rs.</b>
74268552	26-07-2018	300,000
74268555	29-08-2018	250,000
74268578	14-01-2019	64775
771966011	26-07-2018	25,000
<b>Un-adjusted amount</b>		<b>639,775</b>

Audit held that non-adjustment of university funds for such a long time, currently been running in deficit, stipulates laxity on the part of management.

The lapse occurred due to weak internal controls and violation of rules & regulations.

When pointed out in September 2019, the management stated that detailed reply will be submitted after the observations are discussed with concerned offices.

Audit requested the department for holding of the DAC meeting vide letter dated 02.10.2019. However, DAC meeting was not held till the finalization of this report.

Audit recommends recovery.

**AP 190 (2018-19)**

**5.4.34 Excess / unverified payment to the consultant- Rs. 5.122 million**

According to Para 6.3 of the contract agreement page 29 & 30 Payment schedule transpires Rs.8782440/- besides 1 % conducting charges.

During audit of the Women University Swabi for the Financial Year 2018-19, it was observed that Rs.13,905,000/- was paid to the consultant against approved payment as per contract amounting to Rs.8,782,440/- (As detailed below):

S.No	Voucher	Date	Cheque No	Paid to	Amount (Rs)
1	PV.20	16-12-2016	30264232	Royal Consultant	1,317,366
2	PV.173	10-06-2016	29527123	Royal Consultant	2,634,732
3	PV.27	27-10-2017	53681656	Royal Consultant	9,952,902
<b>Total</b>					<b>1,3905,000</b>

The detail of staff provided by the consultant engaged for the said project have no proof and no detail of bank statement showing the monthly transfer of salaries . As per clause 3.7, the Consultant failed to provide software to the client as per contract agreement.

The lapse occurred due to weak internal controls.

When pointed out in September 2019, it was stated by the Management of University that a detailed reply will be furnished before DAC.

Audit requested the department for holding of the DAC meeting vide letter dated 24.10.2019. However, DAC meeting was not convened till the finalization of this report.

Audit recommends recovery.

**AP 317 (2018-19)**

**5.4.35 Wastage of public money on the purchase of substandard vehicles- Rs. 11.149 million**

According to the Transport Officer submitted a report to the Syndicate, stated that all the three buses are irreparable.

During audit of the Women University Swabi for the Financial Year 2018-19, it was observed that expenditure to the tune of Rs. 11.149 million was incurred on the purchase of 03 Nos. of China-made (JAC) buses in February 2014, but in November 2016, the Transport Officer submitted a report to the Syndicate, stated that all the three buses are irreparable. These buses remained unrepaired till date of audit.

The lapse occurred due to weak internal controls.

When pointed out in September 2019, it was stated by the Management of University that a detailed reply will be furnished before DAC.

Audit requested the department for holding of the DAC meeting vide letter dated 24.10.2019. However, DAC meeting was not convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 318 (2018-19)**

## Chapter – 6

### Environment Department

#### 6.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of :

❖ **Environment:**

- Environmental protection;
- Energy conservation

❖ **Forests:**

- Forest settlement.
- Afforestations
- Range management.
- Erosion.
- Denudation.
- Cooperatives in Guzara Forests.
- Ecology and Environmental factors.
- Watershed Management.
- Applied Research in forestry.
- Forest Training.

❖ **Wildlife:**

- Protection, preservation, conservation and management of wildlife including all matters falling within the purview of the North-West Frontier Province Wildlife (Protection, Preservation, Conservation and Management) Act, 1954, (NWFP Act V of 1975).
- Habitat improvement.
- Conservation education and training.
- Applied research on wildlife and its habitat

**Audit Profile of Environment Department; (Rs. in million)**

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19	Revenue/Receipts Audited FY 2018-19
1	Formations	83	03	124.161	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc</li></ul> (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

### 6.1 B) Comments on budget and accounts (variance analysis)

#### Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2018-19 against the total of grants/appropriation was as follows:

<b>Non Development;</b>						<b>(Rs.)</b>
<b>Grant # and Name of Department</b>	<b>Grant Type</b>	<b>Original Grant</b>	<b>Supplementary Grant</b>	<b>Final Grant</b>	<b>Total Actual Expenditure</b>	<b>Excess / (Savings)</b>
21- Environment and Forestry	NC21	2,648,529,000	960	2,648,529,960	2,012,419,851	(636,110,109)
22- Forestry (Wildlife)	NC21	589,619,000	82,252,000	671,871,000	595,849,009	(76,021,991)
<b>Total</b>		<b>3,238,148,000</b>	<b>82252960</b>	<b>3,320,400,960</b>	<b>2,608,268,860</b>	<b>(712,132,100)</b>

<b>Development;</b>						<b>(Rs.)</b>
<b>Grant # and Name of Department</b>	<b>Grant Type</b>	<b>Original Grant</b>	<b>Supplementary Grant</b>	<b>Final Grant</b>	<b>Total Actual Expenditure</b>	<b>Excess / (Savings)</b>
50- Environment	NC22	36,999,000	0	22,211,000	29,107,924	6,896,924
50- Forestry	NC22	2,852,914,000	0	2,645,799,000	2,645,697,965	(101,035)
50- Forestry	NC12	13,086,000	0	13,086,000	13,086,000	0
<b>Total</b>		<b>2,902,999,000</b>	<b>0</b>	<b>2,681,096,000</b>	<b>2,687,891,889</b>	<b>6,795,889</b>

#### Overview of expenditure against the final grant;

<b>(Rs. In million)</b>				
<b>Grant Type</b>	<b>Final Grant</b>	<b>Total Actual Expenditure</b>	<b>Excess/(Savings)</b>	<b>Variance %</b>
Non-Development	3,320.40	2,608.27	(712.13)	(21.45)
Development	2,681.10	2,687.89	6.80	0.25
<b>Total</b>	<b>6,001.50</b>	<b>5,296.16</b>	<b>(705.34)</b>	<b>(12)</b>

It can be seen from the above variance analysis that the non-developmental budget could not be utilized and 12% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved. While developmental budget on the other hand has been overspent which indicates poor SAP controls because it has allowed spending over the allocated amount.

## 6.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 247.077 million were raised in this report during the current audit of Environment Department. This amount also includes recoveries of Rs. 31.24 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

### Overview of Audit Observations

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	119.974
3	Irregularities	
A	HR/Employees related irregularities	101.22
B	Procurement related irregularities	8.854
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	17.029
5	Others	-

### 6.3 Brief comments on the status of compliance with PAC directives:-

SNo.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2001-02	Environment	31	19	-	12
2.	2002-03	-do-	10	09	-	01
3.	2003-04	-do-	12	07	-	05
4.	2004-05	-do-	29	13	-	16
5.	2005-06	-do-	18	07	-	11
6.	2007-08	-do-	07	01	-	06
7.	2008-09	-do-	09	03	-	06
8.	2009-10	-do-	10	06	-	04
9.	2010-11	-do-	22	13	-	09
10.	2011-12	-do-	03	01	-	01
11.	2012-13	-do-	05	01	-	04
12.	2013-14	-do-	14	02	-	12
13.	2014-15	-do-	11	04	-	07

**6.4.1 Misappropriation on claiming excess areas of afforestation - Rs.2.022 million**

As per PC-1 provisions, monitoring of the plantation will be carried out by the Monitoring and Evaluation Officer of the Project.

During audit of the Divisional Forest Officer Dir Kohistan at Sheringal for the Financial Year 2018-19, it was observed that afforestation was carried out in different Ranges under the Billion Trees Tsunami Afforestation Project. As per PC-1 provisions, monitoring of the plantation will be carried out by the Monitoring and Evaluation Officer of the Project. The monitoring of the said afforestation was carried out and observed that areas claimed for afforestation in different locations were less as mentioned in Muster Rolls and Afforestation Generals. (As detailed below):

S. No.	Sub-Division/Range	Plantation	Area claimed	Monitoring Report	Diff.
01	Sheringal	Rondesh Cham	14.16	13.66	0.50
02	-do-	Doro	12	4.82	7.18
03	-do-	OnaMaina Gogh	40	39.40	0.6
04	-do-	Karapa Doro	17.67	14.17	3.50
05	-do-	BelaShoor	14	8.54	5.46
06	-do-	Ochar 2	22	18.76	3.24
07	-do-	Grana manzay	64.72	53.89	10.83
08	-do-	Sawanibala	12.09	9.66	2.43
09	-do-	Swanipayan	23.9	20.75	3.15
10	-do-	Drabokas	22.32	20.09	2.23
11	-do-	Sharmai	101	100.48	0.52
12	Patrak	Gore Dagh	50	40.02	9.98
13	-do-	Narkoon	22	16.79	5.21
14	-do-	Kashoto	50	47.4	2.60
15	-do-	Mangala	40	38.11	1.89
<b>Total</b>			<b>505.86</b>	<b>446.54</b>	<b>59.32</b>

The above statement shows that 59.32 hectares area was claimed in excess on Muster Roll and the amount of Rs.2022812/-(59.32 hec \* Rs.34100 per hec) was drawn in excess. Less mentioning of the planted area not only affected the target of PC-1 but also caused loss to the public exchequer.

The lapse occurred due to weak financial controls.

When pointed out in September 2019, the department replied that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letter dated 25.09.2019 and DO letter issued vide letter dated 10-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 07 (2018-19)**

**6.4.2 Loss to government due to allowing excess charges on account of pits & watering for plantation- Rs. 14.982 million**

According to PC-1 of the Billion Trees Tsunami Afforestation Project (BTAP) annexure XV & XVII, the approved rate was Rs.1.6/plant for watering and Rs. 5/Cft for pits respectively.

During audit of the Divisional Forest Office Peshawar for the Financial Year 2017-18, it was observed that under the Billion Trees Tsunami Afforestation Project Phase-III, the local office allowed excess rate @ Rs. 5.361/Cft and Rs.2/plant for pits and watering of plants in all the three sub-divisions instead of approved PC-1 cost of Rs5/Cft and Rs.1.6/plant respectively, for departmental block plantation under the BTAP Phase-III, which resulted into loss of Rs. 14.982 million.

The lapse occurred due to violation of the PC-1 provisions.

When pointed out in June 2019, the department furnished no reply.

Audit requested the department for holding of the DAC meeting vide letter dated 29.08.2019 and DO letter issued vide letter dated 10-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery of Rs. 14.982 million.

**AP No. 145 (2017-18)**

**6.4.3 Loss due to payment of watch & ward at an incorrect rate- Rs.8.772 million**

According to Page No.11 of the approved PC-1 of the Billion Trees Tsunami Afforestation Project Phase-III, to protect the area against astray

grazing, fire occurrence or any other anthropogenic disturbance, the chowkidars will be hired.

These chowkidars will be required for three consecutive years including the year of initial planting. Annexure- XIV of the PC-1 (Page-78) provides that the chowkidar will be hired @ of Rs.371/- per Hectare ( $26.68/36=0.741*500$ ).

During audit of the Divisional Forest Officer Swat for the Financial Year 2017-18, it was observed that the local office hired chowkidars for watch & ward under the Billion Trees Afforestation Project. In almost 60% cases, payments were made at the rates mentioned at Annexure- XIV, while in some cases payments were made at higher rates. This resulted in loss of Rs. 8,772,216/- to the government.

The lapse occurred due to weak financial controls.

When pointed out in July 2019, the department stated that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letter dated 23.08.2019 and DO letter issued vide letter dated 10-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.133 (2017-18)**

#### **6.4.4 Non-recovery from private nursery growers- Rs. 8.854 million**

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury read with clause 3 of contract agreement executed with private nursery growers, final payment will be made on handing over all plants to department.

During audit of the Divisional Forest Officer Dir Kohistan Sheringal for the Financial Year 2018-19, it was observed that agreements were executed between private nursery growers and the Forest Department, Dir Kohistan Forest Division under the Billion Trees Afforestation Project for raising of tube plants nurseries as per PC-I provision.

Furthermore, Payments to the tune of Rs.8, 854,266/- on account of 1<sup>st</sup> and 2<sup>nd</sup> installments were made to the nurseries growers. The Project was completed on 30/06/2018 and as per agreement clause-iii the nursery growers were bound to hand over plants to the Forest Department, but the nursery growers failed to hand over the same.

The lapse occurred due to violation of PC-1 provisions.

When pointed out in September 2019, the department replied that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letter dated 25.09.2019 and DO letter issued vide letter dated 10-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 02 (2018-19)**

**6.4.5 Non-recovery of outstanding amounts against private nursery growers- Rs. 2.047 million**

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

During audit of the Divisional Forest officer D.I.Khan for the Financial Year 2017-18, it was observed that 50% advance payment was made to the owners of private nurseries for the supply of plants. On further verification of record, it was observed that neither the plants were supplied by the private nurseries nor was the amount recovered from them. As per agreement, the farmers were bound to raise & provide the desired number of plants but they did not abide by the said agreement and the government was put to loss accordingly. Huge government money of Rs 2,047,500/- was found outstanding against the private nurseries for which the local office was held responsible.

The lapse occurred due to weak internal controls.

When pointed out in December 2018, the department stated that a detailed reply will be furnished later on.

In the DAC meeting held in August 2019, it was directed that the Para stands till recovery. However, no progress was intimated by the Department till finalization of this report.

Audit recommends recovery.

**AP No. 34 (2017-18)**

#### **6.4.6 Irregular payment of ceased allowances- Rs. 9.026 million**

The Government had discontinued the following allowances in the Pay Revision Rules circulated vide FD letter dated 7<sup>th</sup> July 2015 and dated 19<sup>th</sup> July 2016. UAA was not admissible in Swat.

During audit of the Divisional Forest Officer Swat for the Financial Year 2017-18, it was observed that the Government of Khyber Pakhtunkhwa had discontinued the following allowances in time to time pay revisions. Despite this, the local office had paid the same to their employees amounting to Rs. 9,025,932/-. It is worth mentioning here that the District Accounts Office Swat was not paying these allowances to the Provincial Government employees. (As detailed below):

<b>S. No</b>	<b>Details</b>	<b>Budget Head</b>	<b>Amount (Rs)</b>
1	Ad-hoc Allowance 2010	A0120X	3,690,173
2	Ad-hoc Allowance 2011	A0121A	43,832
3	Ad-hoc Relief Allowance 2012	0	638,596
4	Ad-hoc Relief Allowance 2013	A0121T	2,211,128
5	Ad-hoc Relief Allowance 2014	A0121Z	858,984
6	UAA	01233	1,583,219
<b>Total</b>			<b>9,025,932</b>

The lapse occurred due to weak financial controls.

When pointed out in July 2019, the department stated that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letter dated 23.08.2019 and DO letter issued vide letter dated 10-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 135 (2017-18)**

#### 6.4.7 Irregular/un-authorized expenditure- Rs. 3.335 million

As per PC-1 of the project Billion Trees Afforestation Project, there was no provision for the construction of watch towers.

During audit of the Divisional Forest Officer DI Khan for the Financial Year 2017-18, it was observed that a sum of Rs. 3,335,000/- was incurred on the construction of 10 Watch Towers/Pickets and Construction of Boundary Pillars in District Bhakkar, having no provision in the PC-I. The expenditure was charged to the funds of the Billion Trees Afforestation Project, which did not fall under that object.

The lapse occurred due to weak internal controls.

When pointed out in December 2018, the department stated that a detailed reply will be furnished later on.

In the DAC meeting held in August 2019, it was decided that the Para stands till recovery. However, no progress was intimated by the Department till finalization of this report.

Audit recommends recovery.

**AP No. 26 (2017-18)**

#### 6.4.8 Irregular retention of cash recovered from offenders- Rs. 3.184 million

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

During audit of the Divisional Forest Officer Swat for the Financial Year 2017-18, it was observed that the Compensation cases were compounded and cash amounting to 4,967,688/- was recovered from the offenders. An amount of Rs.752,386/- was deposited and Rs.3,184,102/- was retained till June 2019. (As detailed below):

S. No	Name of Office	No Cases	Cash realized	Deposited	Cash retained
1	SDFO Mingowara	111	1,959,142	508,858	1,007,184
2	SDFO Matta	99	1,738,430	243,528	906,802
3	Rang Forest Officer Kabal	39	457,380	0	457,380
4	Range Forest Officer Fath Pure	49	812,736	0	812,736
		<b>Total</b>	<b>4,967,688</b>	<b>752,386</b>	<b>3,184,102</b>

The Cash realized was required to have been credited immediately to the government accounts. Contrarily, it was retained for more than two years in some cases.

The lapse occurred due to weak internal controls.

When pointed out in July 2019, the department replied that a detailed reply will be furnished later on.

Audit requested the department for holding of the DAC meeting vide letter dated 23.08.2019 and DO letter issued vide letter dated 10-10-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility on the person(s) at fault.

**AP No. 136 (2017-18)**

## **Chapter – 7**

### **Finance Department**

#### **7.1 A) Introduction**

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

1. Management of Public Funds i.e.
  - a. Supervision and control of Provincial Finances;
  - b. Preparation of Provincial Budget;
  - c. Preparation of supplementary estimates and demands for excess grants;
  - d. Appropriations and Re-Appropriations; except those relating to development budget which will be sanctioned only with the prior concurrence of Planning and Development Department; and
  - e. Ways and Means
2. Public Accounts and Public Accounts Committee.
3. The framing of financial rules for guidance of departments and supervision of maintenance of accounts.
4. To guide autonomous and semi-autonomous bodies, whether aided wholly or partly from provincial revenue in the framing of various financial regulations under the relevant Acts/Ordinances constituting the said body.
5. The framing of Civil Service Rules applicable to all Government servants and interpretation thereof.
6. Floatation and administration of Provincial loans.
7. Examination and advice on matters affecting directly or indirectly the finance of the province.
8. Administration of public revenue save as otherwise provided.
9. Assets and Liabilities Committee.
10. Communication of financial sanction.
11. Examination of all proposals for the increase or reduction of taxation.
12. Creation of new posts and examination of schemes of new expenditure.
13. Audit of receipts and expenditure.
14. Public Debts.
15. The Local Fund Audit Department.
16. Treasuries and Sub-Treasuries.
17. Electronic Data processing.

**Audit Profile of Finance Department;**

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	31	01	599.501	N/A
2	<ul style="list-style-type: none"> <li>• Assignment Account</li> <li>• SDA</li> <li>• Etc</li> </ul> (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	02	01	400.000	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

**7.1 B) Comments on budget and accounts (variance analysis)**

**Summary of the Appropriation Accounts:**

A summary of grants/appropriations and actual expenditure in FY 2018-19 is given below:

**Non-Development;**

**(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
03-Finance, Treasuries and Local Fund Audit	NC21	2,149,560,000	40	2,149,560,040	3,187,141,819	1,037,581,779
<b>Total</b>		<b>2,149,560,000</b>	<b>40</b>	<b>2,149,560,040</b>	<b>3,187,141,819</b>	<b>1,037,581,779</b>

**Development;**

**(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
		0	0	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Overview of expenditure against the final grant;**

**(Rs. in million)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	2,149.56	3,187.14	1,037.58	48.27
Development	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,149.56</b>	<b>3,187.14</b>	<b>1,037.58</b>	<b>48.27</b>

It can be seen from the above variance analysis that the non-developmental funds have been overspent by 48.27%. This is a serious control lapse on part of SAP system because it has allowed spending over the allocated amount.

## 7.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.7,995.545 million were raised in this report during the current audit of Finance Department. This amount also includes recoveries of Rs. 1,278.485 million was pointed out by the audit. Summary of the audit observations classified by nature is as under:

### Overview of Audit Observations;

S.No	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	7,987,865,119
4	Value for money and service delivery issues	7,680,000
5	Others	-

## 7.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2004-05	Finance	02	01	-	01
2.	2008-09	-do-	03	01	-	02
3.	2010-11	-do-	02	02	-	-
4.	2013-14	-do-	08	07	-	1
5.	2014-15	-do-	02	01	-	01

## **7.4 Audit Paras**

### **7.4.1 Loss due to purchase of Treasury bills at less yield-rate- Rs. 24.084 million**

Para 23 of the General Financial Rules Volume I requires that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the Finance Department Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that Financial Statements of Pension and GP Funds provided by Fund Manager of Investment Cell revealed that the local office purchased Treasury bills from the GPF and Pension fund. The record revealed that the local office purchased the same below cutoff rate. Due to the same the public exchequer sustained a huge loss of Rs.24,084,295/-. Overall record revealed that no proper analyses and planning was done by the local office, besides the fact that the local office hired a Fund Manager @ Rs.1.500 million per month but no fruitful result was found in the investment Cell.

The lapse occurred due to financial mismanagement.

When pointed out in October 2019, the department replied that a detailed reply will be given later on.

Audit requested the department for holding of the DAC meeting vide letter dated 12-11-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 03 (2018-19)**

### **7.4.2 Non-recovery of interest amount from banks- Rs. 1,278.485 million**

According to Para 5.2.3.1 of the Accounting Policies and Procedure Manual (APPM), The Principal Accounting Officers of those entities responsible for administering revenue collections (such as tax authorities) must ensure that all sums due to the Government are promptly realised, banked and credited to the Consolidated Fund.

During audit of the Finance Department Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that Financial Statements of Pension and GP Funds provided by Fund Manager of Investment Cell, various investments were made in different banks and the period of investments matured but the interest earned on the investments was still outstanding against the banks. (As detailed below):

**(Rs.)**

<b>S.NO</b>	<b>Particular</b>	<b>Recoverable amount of GPI fund</b>	<b>Recoverable amount of Pension fund</b>
01	Term Deposit Receipts	952,147,015	320,630,490
02	Stock and Money Market Securities	3,623,950	0
03	Treasury bills	0	2,084,369
	<b>Total</b>	<b>955,770,965</b>	<b>322,714,859</b>
	<b>G. Total of GPI Fund + Pension = 1,278,485,824</b>		

Audit held that the amount was still lying with different banks without any justification. Non-recovery of Rs.1,278.485 million needs immediate recovery along with interest for the delay period under intimation to audit.

The lapse occurred due to weak internal controls.

When pointed out in October 2019, the department replied that a detailed reply will be given later on.

Audit requested the department for holding of the DAC meeting vide letter dated 12-11-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 01 (2018-19)**

#### **7.4.3 Unauthorized investment of funds in Bank of Khyber - Rs.6,685.295 million**

As per the Finance Department Circular dated 11-10-2007, all the Government Departments, Autonomous Bodies, Corporations and Local/District Governments place their approved working balances in the Bank of Khyber up to 10 % of the total funds up to 31<sup>st</sup> December, 2008.

During audit of the Investment Cell Finance Department Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that the local office ignored the above-mentioned order and extended undue favor to the Bank of Khyber and invested more than 10% of the total funds therein. (As detailed below):

**(Rs.)**

S.No	Particular	Total investments of Deptt	Actual Investment in BoK	Required i-e 10 % of Colum 03	Excess investment beyond the limit
01	GPI Fund	68,670,698,633	22,441,458,593 (32.68%)	68,670,698,633	61,803,628,770
02	Pension fund	46,429,806,687	5,610,365,000 (12.08%)	561,036,500	5,049,328,500
				<b>Total</b>	<b>66,852,957,270</b>

Overall record of the local office revealed that most of the investments were awarded to the Bank of Khyber, while AA and AAA rank banks applied in bid but their rates were ignored.

Audit held investment of funds amounting to Rs. 6,685.295/- million as unauthorized.

The lapse occurred due to extending undue favor to the BOK and mismanagement of funds.

When pointed out in October 2019, the department replied that a detailed reply will be given later on.

Audit requested the department for holding of the DAC meeting vide letter dated 12-11-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 05 (2018-19)**

#### **7.4.4 Wasteful expenditure on hiring of office building- Rs. 7.680 million**

Para 3.11 of B&R Department Code states that when no suitable government building is available, the private building may be hired for use of offices. Before it is decided to hire a privately owned building, it is necessary to obtain a non-availability of accommodation certificate from the Divisional

Officer concerned who should also be consulted about the reasonableness of the proposed rent.

During audit of the Finance Department Khyber Pakhtunkhwa for the Financial Year 2018-19, it was observed that the Investment Cell hired a building from Bar Council for office purposes from 01-03-2019 to 31-03-2021@Rs.64000/- per month and made payment of Rs.7,680,000/- as rent. Audit held the following points.

- No rent assessment from C&W Deptt; was done.
- After lapse of 08 months the said building was not used by the local office and still working in the existing building of Treasury office.
- All the payments were made in advance to the owner which was irregular and without occupation of building. Advance payment was unjustified and violation of Rules.
- Furthermore, all the payments were made from the investment fund of GPF and even a single penny was not shared from the Pension fund.
- Audit is of the view that the current building of the Investment Cell is the property of Finance Department and the local office used it without any rent then hiring of building was not justified.

Audit held the expenditure of Rs. 7,680,000/- wasteful and loss to the public exchequer.

The lapse occurred due to weak internal controls.

When pointed out in October 2019, the department replied that a detailed reply will be given later on.

Audit requested the department for holding of the DAC meeting vide letter dated 12-11-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 10 (2018-19)**

#### 7.4.5 Extra ordinary allowances given by the Government of Khyber Pakhtunkhwa valuing Rs.9132.970 million

- (i) Article 38 (e) of the Constitution of Pakistan, provides that State shall reduce disparity in the income and earnings of individuals, including persons in the various classes of the service of Pakistan.
- (ii) Article 119 of the Constitution of Pakistan, provides that the payment of money into and the withdrawal of money from the Provincial consolidated Fund shall be regulated by Act of the Provincial Assembly. This provision determines the approving authority for the payment to be made for these allowances. It means that the Provincial Assembly and not the Provincial cabinet is the approving forum.

During review and scrutiny of summaries of Establishment Department and subsequent notifications by Finance Department dated: 07.01.2016, 19.10.2018 and 02.02.2018, health professional allowances, technical allowances and executive allowances were allowed to medical doctors, engineers and PCS/PAS/PMS officers working in provincial government against scheduled posts. The financial implications of these allowances are tabulated below:

BPS	Executives Allowances		Health Professional Allowance		Technical Allowances		Total Financial implication (Rs.) 2018-19
	Rates 1.5 of the Initial Basic pay 2017	Financial Implication per annum (Rs.) 2018-19)	Rate	Financial implication per Annum (Rs.) 2018-19	Rate 1.5 Initial Basic pay 2017	Financial implication per Annum (Rs.) 2018-19)	
21	115,080	519,434,675	100,000	8,527,351,154	115,080	86,184,877	9,132,970,706
20	103,635		100,000		103,635		
19	88,815		80,000		88,815		
18	57,000		76,000		57,525		
17	45,525		76,000		45,555		
16	-		10,000				
<b>Total</b>		<b>519,434,675</b>		<b>8,527,351,154</b>		<b>86,184,877</b>	<b>9,132,970,706</b>

The rates and approving forums of these allowances are given below:

S.No	Name of Allowance	Department	Rate	Sanctioned By
1	Executive Allowance	All BPS 17 and above officers of PAS, PMS and PCS working against scheduled posts	1.5 of the Basic Pay	Provincial Cabinet
2	Health Professional Allowance	All doctors, nurses and paramedics of Health Department	Different rates according to BPS and station of duty	Provincial Cabinet
3	Technical Allowance	PHE, Irrigation, C&W and LG&RDD	1.5 of the initial Basic Pay	Provincial Cabinet

Audit objected on these allowances on the following grounds:

- i. Article 25 of the constitution of the Islamic Republic of Pakistan emphasizes the equality of all the citizens before law. Although this article is general in nature but it clearly guarantees equal rights of all the citizens and civil servants too are citizens of Pakistan whereas these allowances discriminate a very larger segment of Government servants of Khyber Pakhtunkhwa.
- ii. Article 38 (e) of the constitution of Pakistan provides that, “State shall reduce disparity in the income and earnings of individuals, **including persons in the various classes of the service of Pakistan.**” The Government of Khyber Pakhtunkhwa has thus violated this constitutional provision by granting these Allowances to certain classes of service.
- iii. Article 119 of the constitution of Pakistan provides that the payment of money into and the withdrawal of money from the provincial consolidated fund shall be regulated by Act of the Provincial Assembly. This provision determines the approving authority for the payment to be made for these Allowances. It means that the Provincial Assembly and not the Provincial Cabinet is the approving forum.
- iv. Para 10 (iv) of the General Financial Rules says that Public money should not be utilized for the benefit of a particular person or the section of the community. While approving these allowances the Provincial Government has not taken into consideration this specific Para of the General Financial Rules which actually prohibits such discriminatory payments to a particular section of a community.
- v. The basic spirit of the Civil Service Reforms of 1973 was to bring at par all the emoluments of all the Civil Servants of Pakistan. The outcome of those reforms was the Uniform Grade Scheme and the Civil Servant Act, 1973 which regulate not only the service structure of all the civil servants but also define the emoluments of all the Government Servants. By granting the afore-mentioned allowances, the Provincial Government has weakened the very foundation of the Uniform Grade Scheme.

In the light of various articles of the Constitution along with the provisions of General Financial Rules, the Provincial Government has gone beyond its mandate.

**AP 24 (2018-19)**

## Chapter – 8

### Health Department

#### 8.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Regulation of medical and other professional qualification and standards;
- ❖ Medical Registration including Medical Council;
- ❖ Indigenous system of medicines;
- ❖ Medical attendance of Government servants; and
- ❖ Levy of fees by Medical Officers.
- ❖ Medical and Nursing Council.
- ❖ Medical education including medical schools and colleges, and institution for dentistry.
- ❖ Control of Medical drugs, poisons and dangerous drugs (Drug Act and Rules)

#### Audit Profile of Health Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	117	10	10,029.499	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc</li></ul> (Excluding FAP)	09	03	349.514	N/A
3	Authorities/Autonomous bodies etc under PAO	10	04	6,514.223	N/A
4	Foreign Aided Projects (FAP)	02	02	630.620	N/A

#### 8.1 B) Comments on budget & accounts (variance analysis)

##### Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2018-19 against the total of grants/appropriation was as follows:

**Non-Development; (Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
13-Health	NC21	46,201,704,000	100	46,201,704,100	41,787,126,996	(4,414,577,104)
<b>Total</b>		<b>46,201,704,000</b>	<b>100</b>	<b>46,201,704,100</b>	<b>41,787,126,996</b>	<b>(4,414,577,104)</b>

**Development; (Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
54-Health Services	NC 12 & 22	7,966,000,000	0	7,966,000,000	7,486,503,332	(479,496,668)
<b>Total</b>		<b>7,966,000,000</b>	<b>0</b>	<b>7,966,000,000</b>	<b>7,486,503,332</b>	<b>(479,496,668)</b>

**Overview of expenditure against the final grant; (Rs. in million)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	46,201.70	41,787.13	(4,414.58)	(9.56)
Development	7,966.00	7,486.50	(479.50)	(6.02)
<b>Total</b>	<b>54,167.70</b>	<b>49,273.63</b>	<b>(4,894.07)</b>	<b>(9.04)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 9.04% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

**8.2 Classified Summary of Audit Observations**

Audit observations amounting to Rs.1,309.129 million were raised in this report during the current audit of Health Department. This amount also includes recoveries of Rs. 205.698 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

**Overview of Audit Observations;**

S No.	Classification	Amount (Rs.)
1	Non production of record	4,341,767
2	Reported cases of fraud, embezzlement and misappropriation	36,624,000
3	Irregularities	
A	HR/Employees related irregularities	162,890,534
B	Procurement related irregularities	178,953,332
C	Management of Accounts with Commercial Banks	832,871,777
4	Value for money and service delivery issues	92,307,000
5	Others	1,143,719

**8.3 Brief comments on the status of compliance with PACdirectives:-**

<b>S.No.</b>	<b>Audit Year</b>	<b>Name of Department</b>	<b>Total No. of actionable points</b>	<b>Full Compliance</b>	<b>Partial compliance</b>	<b>Nil compliance</b>
1.	2001-02	Health	31	21	-	10
2.	2002-03	-do-	18	14	-	04
3.	2003-04	-do-	11	06	-	05
4.	2004-05	-do-	42	11	-	31
5.	2005-06	-do-	12	06	-	06
6.	2007-08	-do-	18	05	-	13
7.	2008-09	-do-	16	07	-	09
8.	2009-10	-do-	23	12	-	11
9.	2010-11	-do-	19	07	-	12
10.	2011-12	-do-	33	18	-	15
11.	2012-13	-do-	14	09	-	05
12.	2013-14	-do-	46	23	-	23
13.	2014-15	-do-	27	14	-	13

## 8.4 Audit Paras

### 8.4.1 Non-production of auditable record -Rs. 4.341 million

According to Para 17 of GFR Vol-I read with Section 14 (3) of the Auditor-General's (Functions, Powers and Terms, and Conditions of Service) Ordinance, 2001 provides that any person or authority hindering the auditorial functions of the Auditor-General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During audit of the M.S District Headquarter Hospital Nowshera for the Financial Year 2018-19, it was observed that expenditure of Rs.4,340,539/- was incurred as per expenditure statement on the different head of accounts but despite repeated requisition of record, the relevant record was not provided to audit to authenticate the expenditure incurred by the department. (As detailed below):

S.No	Particulars	Amount (Rs)
1.	Telephone Charges	37,392
2.	Gas Charges	318,520
3.	Electric Charges	2301,834
4.	TA	398,773
5.	Uniform	295,800
6.	Other	525,300
7.	Repair of Transport	125,710
8.	Repair of Machinery	187,210
9.	Repair of Furniture	150,000
	<b>Total</b>	<b>4,340,539</b>

Audit held that non-production of record was due to weak internal control.

When pointed out in October 2019, the department replied that the record will be provided and action will be initiated against the defaulter.

Audit requested the department for holding the DAC meeting vide letter dated 13-11-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends the production of Auditable record to ascertain the factual position.

**AP No.18 (2018-19)**

#### 8.4.2 Less deposit of blood bank charges -Rs.8.095 million

According to Para 5.2.3.1 of the Accounting Policies and Procedure Manual (APPM), The Principal Accounting Officers of those entities responsible for administering revenue collections (such as tax authorities) must ensure that all sums due to the Government are promptly realised, banked and credited to the Consolidated Fund.

During audit of the Medical Superintendent Saidu Teaching Hospital Swat for the Financial Year 2018-19, it was observed that blood screening tests comprising of (HBS, HCV, HIV & VDRL) were performed @ 435 per test for 33238 No's of patient/cases. The revenue generated from the blood bank screening test was Rs. (435 X 33238)=14,458,530/- But the In-charge Blood Bank deposited only a sum of Rs. 6,363,247/- resulting a less deposit of (14,458,530- 6,363,247)=8,095,283/- (as detailed below):

Test	2017-18	2018-19	Total	Rate	Amount to be deposited Rs	Deposited with Almoner/Accountant Rs	Short deposit Rs
Blood screening test (HBS,HIV,HCV & VDRL)	15507	17731	33,238	435 HBS 65 HCV 100 HIV 225 VDRL 45 Rs. 435	14,458,530	6,363,247	8,095,238

The laps occurred due to violation of rules & regulation.

When pointed out in October, 2019, it was stated that during these the administration failed in providing kits for blood screening test and the same were purchased by the patients from the market, therefore, we did not charge patients for the price of the test as the devices were provided by them.

Audit requested the department for holding DAC meeting vide letter dated 15-11-2019, however, no DAC meeting was convened till the finalization of this report.

Audit recommends investigating the matter & fixing responsibility against the person(s) at fault.

**AP No.23 (2018-19)**

#### **8.4.3 Non-deposit of government receipts - Rs 4.133 million**

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

During audit of the District Headquarter Hospital Nowshera for the Financial Year 2017-18, it was observed that a sum of Rs 4,133,820/- was realized from the issuance of OPD chits, Pathology and X-Ray Department were not deposited into government treasury. Further verification of record revealed that Rs 4,133,820/- was acknowledged by the Accountant/Cashier of the hospital for deposit into government treasury but it was not deposited in Govt. treasury.

The lapse occurred due to weak internal controls and non-observance of rules/regulations.

When pointed out in June 2019, the management stated that detailed reply will be submitted after consulting the relevant record.

Audit requested the Department for holding of DAC meeting in June 2019 and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till the finalization the Audit Report.

Audit recommends recovery.

**AP No.964 (2017-18)**

#### **8.4.4 Mis-appropriation of hospital receipts- Rs 1.032 million**

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

During audit of the Medical Superintendent District Headquarter Hospital Nowshera for the Financial Year 2017-18, it was observed that a sum of Rs 1,032,150/- was less deposited on account of X-Rays carried out during the year. Further verification of record of X-Ray units revealed that a total of 38765 X-Rays @ Rs 70/- were carried out and receipt of Rs 2,713,550/- was realized, whereas the X-Ray unit showed Rs 1,841,400/- as receipt resulting in less realization of Rs. 1,032,150/- which needs recovery.

Furthermore, the X-Ray unit failed to produce the evidence of 14745 free/entitled X-Rays carried out, meaning thereby that the balance amount has been less deposited by the X-Ray Unit.

The lapse occurred due to weak internal controls and non-observance of rules/regulations.

The matter was reported to the Department in June 2019, for holding of DAC meeting and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.967 (2017-18)**

#### **8.4.5 Loss to government due to none deduction of income tax and stamp duty from the supplier- Rs. 73.417 million**

According to Stamp duty @ 1% should be recovered on procurement of material and store according to Government of NWFP Finance Department letter dated 29.06.2002 read with Import documents such as bill of entry must be produced for claiming income tax exemption according to Para-4(iii) of the Government of Pakistan Revenue Division, Central Board of Revenue, Circular dated 11.4.2002.

During audit of the Lady Reading Hospital Peshawar for the Financial Year 2018-19, it was observed that various medical equipments were procured for the newly constructed Allied Building on C&F basis. The local hospital management transferred the funds to BOK and Meezan bank worth Rs. 1333.193 million without the deduction of required tax and duties which resulted in a loss of Rs. 73.417 million.

The lapse occurred due to weak internal controls and violation of rules.

When pointed out it was replied by the management that detail reply will be furnished later on.

Audit requested department for holding DAC meeting vide letter dated 23-12-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 230 (2018-19)**

**8.4.6 Loss due to non-recovery from defaulters- Rs 31.679 million**

As per letter dated 10-06-2019 of Pharmacy Manager to Director Finance and Hospital Director in which request for blacklisting and forfeiture of CDR of Al-Hamad Enterprises as well as to calculate the risk and cost of disposables for possible recovery as per contract agreement clause (18).

During audit of the Lady Reading Hospital Peshawar for the Financial Year 2018-19, it was observed that the management of the LRH floated tender for bulk purchase of different surgical disposable items including IV Cannulas due to the reason that the approved supplier of the DG Health failed to supply the requisite items as first-line, life-saving item. The rates of M/s Al-Hamad Enterprises were approved and purchase orders placed on different dates. The supplier did not make supplies within the specified period of 30 days. The pharmacy manager recommends blacklisting of the defaulter supplier and purchase on his risk and cost but could not be materialized by the material management department (MMD).

Audit held that as per agreement of the approved supplier if the supplier failed to complete the supply of the ordered quantity the same would be procured from the local market on the risk and cost of the defaulter supplier which resulted into loss of Rs. 31,679,000 /- to the public exchequer. (As detailed below):

Item	Approved rate in LRH tender	Market rate	Diff	Qty Required	Qty supplied	Qty to be purchased on risk and cost	Amount Rs.
IV Cannulas of different sizes	47	126	79	546,000	145,000	401,000	31,679,000

Audit is of the view that the local management i.e. Finance and MMD instead of considering risk and cost purchase as recommended by the pharmacy manager and blacklisting the supplier and mentioned in the SBD, no procurement was made for the patients admitted in different wards of the

hospital and the defaulter supplier was escaped and given shelter from loss as well as blacklisting.

The lapse occurred due to weak internal controls and violation of rules.

When pointed out in November 2019, it was replied by the management that detailed reply will be furnished later on.

Audit requested department for holding DAC meeting vide letter dated 23-12-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 252 (2018-19)**

#### **8.4.7 Loss due to non-recovery of affiliation fee- Rs.28.000 million**

According to S.No.8, 9 & 10 of Khyber Medical University Fees and Other Charges Statutes 2008, Affiliation Application Processing/Inspection Fee, Affiliation Fee (One Time) and Affiliation Retention Fee (Annual) will be charged from the public and private medical/dental colleges and health institutions.

During audit of the Khyber Medical University Peshawar for the Financial Years 2016-17 and 2017-18, it was observed that 49 Health & Medical Institutions were affiliated/registered with the University. The affiliation fee was required to be recovered on yearly basis. However, scrutiny of the record revealed that a sum of Rs.28.000 million was outstanding against various public/ private medical institutions till date of audit i.e. March 2019, resulting in a loss to the government.

The irregularity occurred due to weak internal controls and non-adherence to rules.

When pointed out in March 2019, the department stated that detailed reply will be given later on.

Audit requested the Department for holding of DAC meeting in March 2019 and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery.

**AP No.699 (2017-18)**

**8.4.8 Loss to government due to non-recovery of service charges-  
Rs.19.553 million**

According to S.No.31 of Circular of the Government of Khyber Pakhtunkhwa Revenue Authority KPRA dated 07.02.2018, read with S.No.2 of KP Revenue Authority, contracting services rendered or provided by the contractors of building, electricity, mechanical works, turnkey projects and similar other works/ construction of industrial estates and zones, consular building and construction works under international tenders, fifteen percent (15%) service charges may be deducted.

During audit of the Khyber Medical University Peshawar for the Financial Years 2016-17 and 2017-18, it was observed that a sum of Rs.118.228 million was drawn on account of Establishment of Research Institute of Hepatology (RIHEHP) and was shown paid to M/S Akhoonzada Fazal Jamil & Co. As per rules mentioned above, an amount of Rs.17.734 million as 15% service charges was required to be deducted from the contractor's bills, which was not done. Further scrutiny of the record revealed that an amount of Rs.12.125 million was incurred under the head A012401 and shown paid to various contractors and the service charges amounting to Rs.1,818,758/- were not recovered by the department, resulting in loss to the government.

The lapse occurred due to non-adherence to rules & financial mismanagement.

When pointed out in March 2019, the department stated that detailed reply will be given later on.

Audit requested the Department for holding of DAC meeting in March 2019 and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report

Audit recommends recovery.

**AP No.702 (2017-18)**

#### **8.4.9 Loss due to payment of allowances during summer vacations- Rs.7.103 million**

According to the Government of Khyber Pakhtunkhwa Finance Department letter and dated 1.12.2009, conveyance, Teaching allowance are not admissible during summer or winter vacations.

During audit of the Khyber Medical University Peshawar for the Financial Years 2016-17 and 2017-18, it was observed that the University was closed for summer vacations. The Conveyance and Basic/Teaching Allowances were not allowed during the vacations. Further scrutiny of the record revealed that the same allowances were paid even during the period of leave, resulting in loss to the government.

The lapse occurred due to non-adherence to rules and regulations.

When pointed out in March 2019, the department stated that detailed reply will be given later on.

Audit requested, the Department for holding of DAC meeting in March 2019 and subsequently reminded vide letter dated 17-10-2019. However, no meeting was convened till finalization of this Report.

Audit recommends recovery.

**AP No.704 (2017-18)**

#### **8.4.10 Loss due to abnormal increase in the price of medical gas- Rs.6.093 million**

Para 10 of GFR Vol-I provides that every government officer shall 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.

During audit of the Saidu Teaching Hospital Swat for the Financial Year 2018-19, it was observed that refilling of the medical gas cylinder was purchased on a much higher rate than the previous year 2017-18. (As detailed below):

<b>Medical Gas Cylinder Type</b>	<b>2018-19 rates</b>	<b>2017-18 Rates</b>	<b>Diff.</b>	<b>Percentage of increase</b>	<b>Quantity</b>	<b>Loss (Rs)</b>
Size MF 48 1.75 CFT WT 1.5 KG	345	129	216	167 %	16911 cylinders	3,652,776
Size MM 240 6.8 CFT WT 6-7 KG	690	372	318	85 %	7674	2,440,332
					<b>Total</b>	<b>6,093,108</b>

Audit held that such an abnormal increase in the prices i.e 167 % and 85 % for the refilling of 1.75 cft and 6.8 cft cylinders was unjustified, resulting in loss to the government.

The lapse occurred due to financial mismanagement.

When pointed out in October 2019, it was stated that the market survey will be conducted to authenticate the genuineness of the rate offered. Audit recommends that the increase in prices of medical gases by 167% & 85 % in next year are not fair which needs to be investigated.

Audit requested the department for convening the DAC meeting vide letter dated 15-11-2019. However, no DAC meeting was conveyed till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 25 (2018-19)**

**8.4.11 Loss due to non-deposit of ambulance charges-Rs. 5.819 million  
Unauthentic and doubtful receipts-Rs. 219.285 million**

According to MTI Act, 2015 S 7(i) "compliance to Government policies and standards and in case of any deviation from agreed standards or procedures shall obtain prior approval from Government." Read with Every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or the part of his subordinate and physical verification of all stores should be made at least once a year according to Paras 23 and 159 of GFR vol- I.

During audit of the Lady Reading Hospital Peshawar for the Financial Year 2018-19, it was observed that the local Hospital owns 11 Nos of Ambulances covered a total millage 96990 KM which generated receipts amounting to Rs. 5,819,388/-(96990 \*20) which was neither deposited nor reflected in the receipt statements. Furthermore, scrutiny of the record revealed that revenue generated on account of X-Ray and Laboratory record was not provided to Audit to authenticate the factual position of receipts generated by the Hospital. Moreover, as per record of Directorate of IT the actual OPD receipts amounting to Rs. 42,659,220/- while on the other hand almoner shows

the amount deposited worth Rs. 43,645,270/-, which further strengthens the Audit contention.

Audit held that the less deposit of receipts needs justification.

The lapse occurred due to weak internal controls and violation of rules.

When pointed out in November 2019, it was stated that detailed reply will be furnished later on.

Audit requested department for holding DAC meeting vide letter dated 23-12-2019. However, no DAC meeting was held till the finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault as well as immediate recovery and deposits of Rs.5.819 million into Govt. treasury.

**AP No. 242 (2018-19)**

#### **8.4.12 Loss due to the purchase of disposables items from local purchase supplier Rs. 4.040 million**

As per letter dated 08-05-2019 of Pharmacy Manager to Hospital Director in which request for legal/lawful action under MCC contract agreement due to non-fulfillment as well as to calculate the risk and cost of disposables for possible recovery.

During audit of the Lady Reading Hospital Peshawar for the Financial Year 2018-19, it was observed that DG Health has approved the rate of different kind of medicines and disposals including surgical gloves, Urine bag, gauze roll, and sticking and bandage material, etc. The rates of M/s Hasher Surgical services was approved and circulated list to all the Health facilities including LRH. The management of the LRH issued purchase orders to M/s Hashir Surgical services for the supply of different surgical disposables. On further scrutiny of record, it was observed that despite repeated reminders from the Manager Pharmacy the supplier did not make the supply of the quantity ordered within the prescribe time of 30 days. Resultantly the management procured the quantity from the supplier of the local purchase of medicines at unreasonable higher rates to meet the urgent requirement of the A&E department only. This resulted in loss of Rs. 4.040 million. (As detailed below):

Item	Price charged by LP contractor	MCC Rate	Difference	Qty	Loss Rs.
Surgical	75.50	30.61	44.89	44100	1,979,649
IV set	29.30	13.80	15.50	56700	878,850
Crep	88.10	13.10	75	7500	562,500
Gauze roll	839	575.40	263.60	1125	296,550
Urine bag	88	56	32	3600	115,200
Sticking	29.30	20.25	9.05	2100	19,005
Gypsona 6"	152.70	82.80	69.90	2700	188,730
<b>Total</b>					<b>4,040,484</b>

Audit held that as per agreement of the approved supplier if the supplier failed to complete the supply of the ordered quantity the same would be procured from the local market on the risk and cost of the defaulter supplier which resulted in loss of Rs.4,040,484 /- to the public exchequer.

The lapse occurred due to weak internal controls and violation of rules.

When pointed out in November 2019, it was replied by the management that a detailed reply will be furnished later on.

Audit requested department for holding DAC meeting vide letter dated 23-12-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault as well as immediate recovery of Rs. 4,040,484/-

**AP No. 251 (2018-19)**

#### **8.4.13 Loss due to non-deposit of user charges- Rs.4.800 million**

According to the Finance Department, Khyber Pakhtunkhwa instructions vide letter dated 29.04.2013, 50% of the hospital income be kept in Bank for Repair and Maintenance of machinery and equipment of the hospital.

During audit of the Molvi Ameer Shah Hospital Peshawar for the Financial Year 2017-18, it was observed that Rs.9,600,915/- were realized from X-ray, Ultra Sound, and Pathology, as receipt of hospital amounting to Rs.9.601 million. Out of total, an amount of Rs.4.800 (Rs.9.601 ÷ 2 = Rs.4.800) million as 50% of the total receipts was required to be deducted from

the total receipts and deposited into the Hospital Bank Account for Repair and Maintenance of Machinery & Equipment, which was not done and need justification.

The loss occurred due to non-adherence to rules and regulations.

When pointed out in May 2018, the department replied that recovery, if established, will be effective from dealing hands.

Audit requested the Department for holding of DAC meeting and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was conveyed till finalization of this Report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.874 (2017-18)**

#### **8.4.14 Loss to institution due to non-recovery of Takaful charges- Rs.3.361 million**

According to Contract agreement executed with the firms all the insurance charges would be paid by the authorized firms/agent

During audit of the Lady Reading Hospital Peshawar for the Financial Year 2018-19, it was observed that Hospital Director procured various medical equipment for the newly constructed Allied Building on C&F basis and in this regard the local hospital management transferred the funds to BOK and Meezan bank worth Rs. 1333.193 million. The said amount includes a sum of Rs. 3.361 million on account of Takaful charges, which was required to have been paid by the concerned firm/supplier. Instead, the hospital management paid and charged the amount to the budget of the hospital, which resulted into loss to Institution worth Rs. 3.361 million.

Audit held that inclusion in the cost of equipment by the officer/official concerned is a serious lapse on their part and needs justification

The lapse occurred due to weak internal controls and violation of rules.

When pointed out in October 2019, it was stated detailed reply will be furnished later on.

Audit requested department for holding DAC meeting vide letter dated 23-12-2019. However no DAC meeting was convened till finalization of this report

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 250 (2018-19)**

#### **8.4.15 Loss due to awarding local purchase contract of medicines and disposables on low discount rate- Rs 3.040 million**

According to rule 14 of Procurement of Good, works and services rules 2014 the bid found to be the lowest evaluated bid shall be accepted.

During audit of the Saidu Teaching Hospital Swat for the Financial Year 2018-19, it was observed that local purchase contracts for the medicines and disposable, etc was awarded to M/S Arshad Medical Store Saidu Sharif Swat on nominal rate of discount of Rs. 7.10 % as compared to the discount rate of 2019-20 for Rs.14.75 % and other hospitals in the province like KTH 14.60 % (2018-19). Thus in the year 2018-19 the public exchequer was put to a loss of Rs.  $(14.75 \% - 7.10 \%) = 7.65 \times 39,744,631 = 3,040,464$ .

The lapse occurred due to the non-transparent tendering process.

When pointed out in October 2019, it was stated that matter will be negotiated with the firm for commendable solution under intimation to audit.

Audit requested the department for holding the DAC meeting vide letter dated 15-11-2019. However, no DAC meeting was convened till the finalization of the report.

Audit recommends investigating the matter & fixing responsibility against the person(s) at fault.

**AP No.26 (2018-19)**

#### **8.4.16 Loss due to less deduction of professional tax worth Rs.3.042 million**

According to Finance Act KPK, Professional Tax levied on doctors at the following rates, specialists @ Rs. 20000/year, non-specialists @ Rs.10000/year & Dentists @ Rs 15000/year.

During audit of the Naseerullah Khan Babar Memorial Hospital Peshawar for the Financial Year 2018-19, it was observed that payments were made to the doctors on account of pay & allowances. However, Professional Tax amounting to Rs 3,190,000/- was required to have been deducted from their salaries during 2017-18 & 2018-19, but contrary to this, the department did not deduct an allowance amounting to Rs. 147,000/- which put the government into loss of Rs. 3,042,600/-.

The irregularity occurred due to weak internal controls & financial mismanagement.

When pointed out in May 2019, the department stated that a detailed reply will be furnished after checking the record.

Audit requested the Department for holding DAC meeting in May 2019 and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery.

**AP No.887 (2017-18)**

#### **8.4.17 Loss to Government due to acceptance of sub-standard anesthesia machine amounting to Rs 2.295 million**

According to Para 23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the government through fraud or negligence on his part or on the part of his subordinate.

During audit of the Qazi Hussain Ahmad Medical Complex Nowshera for the Financial Year 2017-18, it was observed that Rs 4,590,000/- was incurred on the purchase of 02 No's Anesthesia Machine (Mindary China) from M/S Friends Traders. Further verification of the record revealed that out of the purchase, one Anesthesia Machine was found sub-standard and partially supplied by the dealer. The In-charge (Asstt: Professor) of Anesthesia Department in his letter pointed out that the machine was out of order at the time of installation and some of the accessories were missing with the machine.

Audit held that sub-standard machine was accepted which put the government in loss of Rs 2,295,000/-. Furthermore, payment was required to

be paid to the dealer after satisfactory installation of the machine which was not done.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed in March 2019, the department stated that a detailed reply will be furnished later on.

Audit requested the Department for holding of DAC meeting vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends investigating the matter and fix responsibility against the person(s) at fault.

**AP No.808 (2017-18)**

#### **8.4.18 Loss due to payment of allowances during leave – Rs 1.237 million**

According to Finance Department, instructions vide letters dated 1.12.2009, 30.1.1989 and 12.12.1993, Science Teaching Allowance, Non-practicing or Conveyance Allowances are not admissible during the period of Leave/LPR.

During audit of the Khyber Medical University Peshawar for the Financial Years 2016-17 and 2017-18, it was observed that earned leave was granted to various staff of the University. However, science teaching and special allowances were paid to them. This resulted in loss to the government.

The lapse occurred due to non-adherence to rules and regulations.

When pointed out in March 2019, the department stated that a detailed reply will be given later on.

Audit requested the Department for holding of DAC meeting in March 2019 and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery.

**AP No.710 (2017-18)**

#### **8.4.19 Loss due to incorrect distribution of hospital receipts - Rs. 1.197 million**

According to Khyber Pakhtunkhwa, Finance Department letter dated 29-04-2013 "w.e.f. 1st May 2013, at least 50 percent of the amount recovered from the diagnostic services rendered to the patients will be diverted to a separate account to be maintained especially for the maintenance and repair of equipment. This fund will only be utilized for the said purpose".

During audit of the Bacha Khan Medical Complex for the Financial Years 2017-18 & 2018-19, it was observed that the receipts of Rs. 1.197 million generated from the non-diagnostic units was wrongly distributed among the doctors, paramedics and administration, etc divisible share. (As detailed below):

**(Rs.)**

<b>S.No.</b>	<b>Name of Units</b>	<b>Total Receipts</b>	<b>Amounts 2018-19</b>	<b>Difference</b>
1.	BP Minitor	64,000	35,860	28,140
2.	Eye Ward	268,950	149,313	119,637
3.	Lithotripsy	1,283,000	730,620	552,380
4.	Skin	719,100	401,319	317,781
5.	OT	409,400	229,996	179,404
<b>Total</b>		<b>2,744,450</b>	<b>1,547,108</b>	<b>1,197,342</b>

Audit held that the share distribution from the receipts of non-diagnostic units needs justification.

The lapse occurred due to weak internal controls.

When pointed out in October 2019, it was replied that a detailed reply will be furnished in DAC meeting after the scrutiny of relevant records.

Audit requested the department for holding the DAC meeting vide letter dated 15-11-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility for the lapse.

**AP No. 57 (2018-19)**

**8.4.20 Non-recovery on account of canteen and car parking rent - Rs.11.858 million**

According to clause 1, 8 and 9 respectively of the contract signed with the Mardan Medical Complex canteem contractor, the monthly rent will be Rs. 373,200, any delay in the deposit of advance payment of rent will be treated as violation of terms of contract and the authority shall have the exclusive power to cancel the contract for the rest of term and in case of not depositing the fine/penalty imposed by the Medical Superintendent, or any other violation of the terms mentioned in the contract, the Medical Superintendent is authorized to cancel the contract without any prior notice.

Furthermore, Para-12 of GFR Vol-I, a controlling officer should see that alls sum due to the government are assessed, realized and duly deposited into public account.

During audit of the Mardan Medical Complex Mardan for the Financial Year 2017-18, it was observed that Rs. 11,857,581/- was outstanding against the following canteen and car parking contractors. (As detailed below):

<b>S.No.</b>	<b>Contractor</b>	<b>Amount outstanding (Rs)</b>
01	Wajid Ali	2,822,400
02	Asif Khan	5,880,000
03	Nizar Ali	1,745,181
04	Sana Ullah	1,410,000
<b>Total</b>		<b>11,857,581</b>

The lapse occurred due to a violation of rules and regulations.

When pointed out in February 2019, it was stated that a detailed reply will be furnished after consulting the record.

Audit requested the Department for holding of DAC meeting in February 2019 and subsequently reminded vide dated 17-10-2019. However, no meeting was convened till finalization of this Report.

Audit recommends recovery.

**AP No.643 (2017-18)**

#### **8.4.21 Non-recovery of outstanding dues - Rs 6.379 million**

According to Para 5.2.3.1 of the Accounting Policies and Procedure Manual (APPM), The Principal Accounting Officers of those entities responsible for administering revenue collections (such as tax authorities) must ensure that all sums due to the Government are promptly realized, banked and credited to the Consolidated Fund.

During audit of the Qazi Hussain Ahmad Medical Complex Nowshera for the Financial Year 2017-18, it was observed that a sum of Rs 6,379,167/- was recoverable from the following contractors on account of government dues. (As detailed below):

<b>S. No</b>	<b>Name of contractor</b>	<b>Period</b>	<b>Outstanding Amount Rs.</b>
1.	M/s Rizwanullah (Car Parking)	1/3/2018 to 30/9/2018	5,726,000
2.	Cafeteria, Tuck Shop (Electricity)	1/4/2017 to 31/10/2018	653,167
<b>Total</b>			<b>6,379,167</b>

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in March 2019, it was stated that a detailed reply will be furnished later on.

Audit requested the department for holding the DAC meeting and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends recovery against the person(s) at fault

**AP No.807 (2017-18)**

#### **8.4.22 Overpayment due to payment of inadmissible GST – Rs. 7.633 million**

The Federal Board of Revenue (FBR) has exempted sales tax on the import and supply of equipment/products used for cardiology/cardiac surgery, Neurovascular, Electrophysiology, Endo-surgery, Endoscopy, Oncology,

Urology, Gynecology, disposables, and other related equipment. In this regard, the FBR has amended S RO 551 (I)/2008, dated June 11, 2008, through SRO 805(I)/2011.

During audit of the Gajju Khan Medical College Swabi for the Financial Year 2017-18, it was observed that medical equipment was purchased from different firms under the ADP scheme "Establishment of Gajju Khan Medical College Swabi". Further scrutiny of the record revealed that the suppliers charged GST of Rs.7,632,700/- (17%) on the medical equipment and GST was paid accordingly to the firms. Audit held that the medical equipment was exempted from Sales Tax. Hence, the payment of GST of Rs.7,632,700/- was not admissible on the purchase of medical equipment, resulting in an overpayment, which may be recovered from the suppliers. (As detailed below):

S. No	Firm	Gross Bill (Rs)	GST paid (Rs)
1	IBS Pharmaceuticals	5,200,000	884,000
2	Western Scientific Traders	2,040,000	296,410
3	-do-	4,845,000	698,008
4	Global Marketing Services	1,500,000	217,948
5	-do-	2,700,000	392,308
6	-do-	4,338,000	630,308
7	-do-	1,150,000	167,094
8	-do-	4,231,300	614,804
9	S.U. Enterprises	1,700,000	247,009
10	-do-	1,280,000	185,983
11	-do-	440,000	63,932
12	-do-	356,000	51,726
13	-do-	550,000	79,914
14	-do-	198,000	28,789
15	MS MeDent Corporation	12,359,241	2,101,070
16	-do-	2,423,248	411,952
17	-do-	3,302,616	561,445
<b>Total</b>		<b>48,613,405</b>	<b>7,632,700</b>

The irregularity occurred due to financial mismanagement and weak internal controls.

When pointed out in June 2019, the Management stated that detailed reply will be submitted after consulting the relevant record.

The matter was reported to the Department for holding of DAC meeting and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery of the paid GST from the suppliers.

**AP No.961 (2017-18)**

#### **8.4.23 Overpayment due to non-deduction of health professional and conveyance allowance during leave- Rs.2.301 million**

According to Government of Khyber Pakhtunkhwa, Finance Department notification dated 15-04-2016, Health Professional Allowance is not admissible during maternity and other long leave. Conveyance Allowance is also not admissible during leave.

During audit of the District Head Quarter Hospital Chitral for the Financial Year 2018-19, it was observed that staff were granted maternity and study leave. The Health Professional Allowance and Conveyance Allowance amounting to Rs. 2,301,285/- were not deducted from their salaries. This resulted in an overpayment of Rs. 2,301,285. Moreover, the sanction of the competent authority for the grant of leave was not shown to audit.

The irregularity occurred due to a violation of rules and regulations.

When pointed out in November 2019, it was stated that detailed reply will be submitted in due course before the DAC.

Audit requested the Department for holding of DAC meeting in December 2019 vide letter dated 06-12-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery.

**A.P No. 101 (2018-19)**

#### **8.4.24 Overpayment due to non-deduction of provincial sales tax- Rs.2.068 million**

According to Khyber Pakhtunkhwa Finance Act 2013 Schedule (II), sales tax @ 15% shall be deducted from the services providers at the source.

During audit of the Mardan Medical Complex Mardan for the Financial Year 2017-18, it was observed that an amount of Rs. 12,392,218/- was paid to

M/S Med quips for maintenance of the MRI, CT Scan and Color Doppler Machines. Moreover, an amount of Rs. 1,393,017/- were shown incurred on consultancy charges and was paid to M/S Royal Associate Consultants for design and construction supervision.

Audit observed that provincial sales tax @ 15% was not deducted from the contractors at the time of payment which resulted in an overpayment of Rs. 2,067,782/-

The lapse occurred due to a violation of rules & regulations.

When pointed out in February 2019, it was stated that a detailed reply will be furnished after consulting the record.

Audit requested the Department for holding of DAC meeting in February 2019 and subsequently reminded vide letter dated 17-10-2019. However, no meeting was convened till finalization of this Report.

Audit recommends recovery.

**AP No.645 (2017-18)**

#### **8.4.25 Overpayment due to non-deduction of stamp duty - Rs. 1.879 million**

According to Khyber Pakhtunkhwa, Finance (Stamp Act Amendment) Act, 2003 vide Notification dated: 02-07-2003, to procure store and materials, One rupee for every Rs. 100 or part thereof of the amount of the contract shall be deducted.

During audit of the Mardan Medical Complex Mardan for the Financial Year 2017-18, it was observed that Rs.187,978,784/- was incurred on account of the following items:

Audit observed that stamp duty @ 1% amounting to Rs. 1,879,784/- was not deducted from the suppliers/contractors at the time of payment. (As detailed below):

<b>S.No.</b>	<b>Description</b>	<b>Amount Rs.</b>
01	Medicines	50,258,849
02	Equipments	79,756,178
04	Bedding clothing	24,578,775
05	Printing	6,434,620
06	Chemical	26,950,027
<b>Total</b>		<b>187,978,449</b>

The lapse occurred due to weak internal controls.

When pointed out in February 2019, it was stated that a detailed reply will be furnished after consulting the record.

Audit requested to the Department for holding of DAC meeting in January 209 and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery.

**AP No.656 (2017-18)**

**8.4.26 Unauthorized placement of public funds in private banks - Rs.810.277 million**

Standing instructions of Chief Secretary, Khyber Pakhtunkhwa vide his letter dated 7-11-2017, which stipulates that "The Provincial Govt. Departments should place/keep their funds with a maximum of three banks having a credit rating (A), in the future. No, any department will deposit money/fund in commercial banks without prior approval of Finance Department and all heads of Govt. department/offices/Autonomous/Semi-Autonomous Bodies/Corporations are hereby advised to ensure strict compliance with the above instruction of the Govt. in letter and spirit".

During audit of the Lady Reading Hospital Peshawar for the Financial Year 2018-19, it was observed that Finance Department maintained their financial transactions in 25 bank accounts in four different banks out of which 05 bank accounts were opened after November 2017 (03 bank accounts in Meezan bank and 02 bank accounts in BOK) was considered as unauthorized.

Furthermore, while going through the internal control over the financial management by the Finance Department, it was observed that no prior approval was obtained regarding the opening of below mentioned 05 bank accounts.

The lapse occurred due to weak administrative and financial controls.

When pointed out in October 2019, it was replied by the management that detailed reply will be furnished later on.

Audit requested department for holding DAC meeting vide letter dated 23-12-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends that to investigate the matter at an appropriate level for fixing responsibility against the person(s) at fault.

**AP No.220 (2018-19)**

**8.4.27 Unauthorized expenditure on account of special allowance- Rs.28.395 million**

According to Higher Education Commission (HEC) Islamabad letter dated 4th August 2009 facilities in excess of prescribed rates or extending additional allowance/incentives to faculty other than admissible under the BPS scheme may not be allowed.

During audit of the Khyber Medical University Peshawar for the Financial Years 2016-17 and 2017-18, it was observed that a sum of Rs.28.395 million was drawn on account of Special Allowance under the head AO-1239 and was paid to various staff of the University. However, on scrutiny of record, it was further observed that the local office allowed special allowance without approval of the Higher Education Commission in violation of the above rules, due to which the government sustained a loss. (As detailed below):

<b>S. No.</b>	<b>Financial Year</b>	<b>Amount Rs.</b>
1.	2016-17	14,279,470
2.	2017-18	14,115,849
<b>Total</b>		<b>28,395,319</b>

The irregularity occurred due to weak internal controls and non-adherence to rules.

When pointed out in March 2019, the department stated that detailed reply will be given later on.

Audit requested the Department for holding of DAC meeting in March 2019 and subsequently reminded vide letter dated 17-10-2019, however no DAC meeting was convened till finalization of this Report.

Audit recommends investigating the matter & fixing responsibility against the person(s) at fault.

**AP No. 698 (2017-18)**

#### **8.4.28 Unauthorized retention of funds in bank accounts-Rs 19.233million**

The Govt of Khyber Pakhtunkhwa Finance Department while releasing special grant during 2017-18 for the procurement of equipment for DHQs, BHUs and Civil Dispensaries, vide their letter dated 01-02-2018 directed that unspent balances on 30th June 2018 will form part of Account-1 dully surrendered.

During audit of the DHQ Chitral for the Financial Year 2018-19, it was observed that funds to the tune of Rs. 73,543,282/- provided by the Finance Department vide letter mentioned above was drawn in the name of DDO from the treasury and deposited in Bank of Khyber Account No. CD-12910-00-3 instead of payment to the supplier. The following payments were shown made during 2017-18. Audit held that the funds released to the DHQ Chitral were booked in the Appropriation Account for 2017-18, therefore the balance amount of Rs.53,654,056 (73,543,282 – 19,889,226) was required to have been surrendered as per directions of the Finance Department. Contrarily, it was retained in the bank account and the following expenditure was incurred during 2018-19 and also Rs, 19,233,290/- was retained in the closing balances on 30th June 2019.

The amount was drawn from the government Account and shown spent on the relevant activities during 2017-18 just to avoid lapse of funds, which is against the spirit of treasury rules as well as directions of the Finance Department. The expenditure during 2018-19 and retention of closing balances in bank account is held irregular. (As detailed below):

**(Rs.)**

<b>S. No</b>	<b>Total funds released</b>	<b>Expenditure in 2017-18</b>	<b>2018-19</b>	<b>Balance</b>
1	73,543,282	19,889,226	34,430,766	19,233,290

The irregularity occurred due to a violation of rules.

When pointed out in November 2019, it was stated that detailed reply will be submitted in due course before the DAC

Audit requested the Department for holding of DAC meeting in December 2019 vide letter dated 06-12-2019, however no DAC meeting was convened till finalization of this Report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 96 (2018-19)**

#### **8.4.29 Un-authorized drawl of pay and allowances- Rs. 16.198 million**

According to Section 16(1) of Civil Servants Act, 1973, Conduct Rules, no Government servant shall, except with the previous sanction of the Government, undertake any employment, other than his official duties.

During audit of the Mardan Medical Complex Mardan for the Financial Year 2017-18, it was observed that DMS (Admin-1) BPS-19 (Civil Servant) of Mardan Medical Complex was appointed as Hospital Director Mardan Medical Complex on 18-07-2016 at a monthly pay of Rs. 550,000/-.

Audit held that the incumbent was a government servant who neither resigned from his previous job nor did he obtain sanction from the government for undertaking the new job. Therefore, the payment so made to him amounting to Rs. 16,198,387/- on account of pay and allowances needs recovery.

The lapse occurred due to weak internal controls.

When pointed out in February 2019, it was stated that a detailed reply will be furnished after consulting the record.

Audit requested the Department for holding of DAC meeting in February 2019 and subsequently reminded vide letter dated 17-10-2019. However, no meeting was convened till finalization of this Report.

Audit recommends investigating the matter & fixing responsibility against the person(s) at fault.

**AP No.642 (2017-18)**

#### **8.4.30 Unauthorized expenditure on account of purchase of 04 vehicles- Rs.9.243 million**

As per the Government of Pakistan Finance Division Islamabad office memorandum No.7 (1) Exp-IV/2016-510 dated 29.7.2016, there is a complete ban on the purchase of all types of vehicles.

During audit of the Khyber Medical University Peshawar for the Financial Years 2016-17 and 2017-18, it was observed that a sum of Rs.9.243 million was drawn on account of purchase of 04 number of vehicles and was shown paid to M/S Toyota and M/S Honda vide ChequeNo.263693, dated 30.08.2017. (As detailed below):

S. No.	Occupants	Engine Capacity	Brand	Qty	Amount (Rs.)
1	Vice Chancellor	1800CC	Honda Civic c 1.8 Oriol 2017	1	2,720,000
2	Registrar	1600-CC	RHD T.CorollaAtlis 1.6 – 2017	1	2,174,500
3	Treasurer	1600-CC	RHD T.CorollaAtlis 1.6 – 2017	1	2,174,500
4	Controller	1600-CC	RHD T.CorollaAtlis 1.6 – 2017	1	2,174,500
<b>Total</b>					<b>9,243,500</b>

The above expenditure was held unauthorized on the following grounds:

1. The cars purchased were not sanctioned by the Syndicate and Senate of Khyber Medical University Peshawar.
2. As per the Government of Pakistan Finance Division Islamabad office memorandum No.7 (1) Exp-IV/2016-510 dated 29.7.2016, there is a complete ban on the purchase of all types of vehicles.
3. As per Section (24) of the Government of Pakistan, Cabinet Division Staff Car Rules-1980, the officers of BPS-20 and 21 are entitled to avail cars having Engine Capacity of 1000CC. In line with the said rules the Registrar, Treasurer, and Controller of Examinations were entitled to 1000 CC cars. However, the said rules were not followed and cars of 1600 CC were purchased.
4. Stock Register was not maintained, so factual position regarding availability of total vehicles could not be ascertained.

The irregularities occurred due to weak internal controls and non-adherence to rules.

When pointed out in March 2019, the department stated that detailed reply will be given later.

Audit requested the Department for holding of DAC meeting in March 2019 and subsequently reminded vide letter dated 17-10-2019, however no DAC meeting was convened till finalization of this Report.

Audit recommends, investigating the matter & fixing responsibility against person(s) at fault.

**AP No.703 (2017-18)**

#### **8.4.31 Unauthorized expenditure from government receipt- Rs. 2.602 million**

According to Para-7 of CTR: all money received by Govt. on a/c of revenues shall without delay be paid in full into Govt. Treasury &. Receipts should not be utilized towards expenditure.

During audit of the Bacha Khan Medical Complex Swabi for the Financial Years 2017-18 & 2018-19, it was observed that an amount of Rs.2,602,686/- was paid to the "Super Decent Pharmacy (Pvt) Ltd" on account of purchase of LP Medicines from the receipt realized from the 4% hospital Share from the private Pharmacy, instead of depositing it into the government treasury. (As detailed below):

<b>S.No</b>	<b>Month</b>	<b>Paid to</b>	<b>Cheque #</b>	<b>Amount Rs.</b>
1	Mar, 2019	Super Decent Pvt Pharmacy	17926670	369,635
2	Apr, 2019	Super Decent Pvt Pharmacy	17926081	351,575
3	May, 2019	Super Decent Pvt Pharmacy	17926688	447,476
4	July, 2019	Super Decent Pvt Pharmacy	17926694	434,000
5	Pending Liability	Super Decent Pvt Pharmacy	-	1,000,000
			<b>Total</b>	<b>2,602,686</b>

Audit held that government receipt realized should be deposited in the government treasury. The utilization of government receipts for other purposes was a serious violation.

The lapse occurred due to weak internal controls.

When pointed out in October 2019, it was replied that a detailed reply will be furnished in DAC meeting after the scrutiny of relevant records.

Audit requested the department for holding the DAC meeting vide letter dated 15-11-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility for the lapse.

**AP No. 56 (2018-19)**

#### **8.4.32 Un-authorized drawal of doctor share amounting to Rs.1.143 million**

According to Health Department Notification NO.SO (B)/Health/10-12/03-04/user charges dated 13.04.2005. Medical Superintendent is only entitled to 2% administrative share out of Hospital receipts.

During audit of the Saidu Teaching Hospital Swat for the Financial Year 2017-18 & 2018-19, it was observed that the share of Pathologist for blood bank screening charges were paid to M/S Jehangir Khan besides his 2% administrative share, for which he was not entitled. The M/S was entitled to Admn: Share of 2% and thus payment made from the pathologist (Doctor's Share 25%) to the Medical Superintendent was un-authorized and needs to be recovered.

The lapse occurred due to misuse of authority.

When pointed out in October 2019, it was stated that MS Jehangir Khan received the share and will be recovered from him. We will check the payment and the amount if any paid against the criteria will be recovered and be credited to the treasury.

Audit requested the department for convening the DAC meeting vide letter dated 15-11-2019. However, no DAC meeting was conveyed till finalization of this report.

Audit recommends recovery.

**AP No.24 (2018-19)**

#### **8.4.33 Irregular expenditure due to unauthorized appointments-Rs.86.669 million**

According to the Government of Khyber Pakhtunkhwa Finance Department letter dated 30.6.2017 endorsed to all administrative departments, autonomous and semi-autonomous organizations; (I) there shall be a complete ban on creation of posts except posts required for completed developmental projects, and (II) no appointment will be made against a vacant post without obtaining NOC from the concerned surplus pool.

During audit of the Khyber Medical University Peshawar for the Financial Years 2016-17 and 2017-18, it was observed that a sum of Rs.86.669

million was drawn on account of pay and allowances. As per the rules mentioned above, there was a complete ban on creation of new posts and appointment against them. On scrutiny of record, it was observed that 69 appointments of different categories of staff were made by the department. Furthermore, record regarding selection criteria of PMDC against the sanctioned student's seats was not produced to Audit.

The lapse occurred due to non-adherence to rules regulations.

When pointed out in March 2019, the department stated that detailed reply will be given later

Audit requested the Department for holding of DAC meeting in March 2019 and subsequently reminded vide letter dated 17-10-2019, however no DAC meeting was convened till finalization of this Report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.701 (2017-18)**

#### **8.4.34 Irregular and un-economical expenditure on account of purchase of MRI & CT Scan films - Rs. 6.225 million**

According to Khyber Pakhtunkhwa Public Procurement Regulatory Authority Rules 2014, an open tender system shall be adopted for expenditure in excess of Rs. 100,000/-

During audit of the Mardan Medical Complex Mardan for the Financial Year 2017-18, it was observed that Rs. 6,225,000/- were shown incurred on the purchase of dry laser films for MRI and CT Scan and paid to M/S Mediquips (Pvt) Ltd. Audit observed that the local office was required to adopt open tender system for the purchase of these films, instead, the local office kept on purchasing the item from the said supplier since 2011, which is un-authorized and violation of the rules. Moreover, piece meal purchase of films in an uneconomical manner was not justified by the department.

The lapse occurred due to weak internal controls.

When pointed out in February 2019, it was stated that a detailed reply will be furnished after consulting the record.

Audit requested the Department for holding of DAC meeting in February 2019 and subsequently reminded vide letter dated 17-10-2019. However, no meeting was convened till finalization of this Report.

Audit recommends investigating the matter & fixing responsibility against the person(s) at fault.

**AP No.647 (2017-18)**

#### **8.4.35 Irregular payments to nurses during their higher studies -Rs.5.054 million**

According to FR -84 & Appendix 9 Vol-II, study leave may be granted to Government servants to enable them to study scientific, technical, or similar problem or to undergo a special course of instruction. It should not ordinarily be granted to a Government servant of less than five years' service. This leave and its extension should be sanctioned by the Finance Department.

During audit of the District Head Quarter Hospital Chitral for the Financial Year 2018-19, it was observed that the Director General Health Services Peshawar had allowed the following Charge Nurses to attend their BS two years Nursing Course at Agha Khan Medical University Karachi and Khyber Medical University Peshawar. These nurses drew their leave salary etc amounting to Rs. 5,054,052/- during their studies. (As detailed below):

**(Rs.)**

<b>S.No.</b>	<b>Name</b>	<b>Period</b>	<b>Months</b>	<b>Monthly salary</b>	<b>Total</b>
1	Mr. Aftab Ahmad	5/12/2018 to 30-06-2019	07	64,030	448,210
		01-07-2019 to 31-10-2019	04	66,377	265,508
2	Mr. Sohail Nasir	5/12/2018 to 30-06-2019	07	64,030	448,210
		01-07-2019 to 31-10-2019	04	66,377	265,508
3	BiBi Nahida	9/2017 to 11/2017	03	54,887	164,661
		12/2017 to 6/2018	07	56,479	395,353
		7/2018 to 11/2018	05	59,431	297,155
		12/2018 to 6/2019	07	71,055	497,385
		7/2019 to 8/2019	02	63,450	126,900
4	Mehrina BiBi	9/2017 to 11/2017	03	54,080	162,240
		12/2017 to 6/2018	07	55,752	390,264
		7/2018 to 11/2018	05	62,028	310,140
		12/2018 to 6/2019	07	63,852	446,964
		7/2019 to 8/2019	02	66,199	132,398
5	Rozia BiBi	11/2018 to 6/2019	08	57,206	457,648
		07/2019 to 10/2019	04	61,377	245,508
				<b>Total</b>	<b>5,054,052</b>

Audit has the following observations:

1. Sanctions for their higher studies were accorded by the DG Health Services instead of the Finance Department, hence the payments were irregular.
2. These trainees were regularized with effect from 06-06-2016 vide DG Health Services endorsement dated 02-11-2016 and as such they had not yet completed their five years services, hence needs condonation form the competent authority.

The irregularity occurred due to violation of rules.

When pointed out in November 2019, it was stated that detailed reply will be submitted in due course before the DAC.

Audit requested the Department for holding of DAC meeting in December 2019 vide letter dated 06-12-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery.

**AP No. 100 (2018-19)**

#### **8.4.36 Irregular payment of secretariat allowance to the HRSU staff- Rs.4.021 million**

According to Govt. of KP Establishment and Administration Deptt:- (Cabinet Wing) No.SOC(E & AD)9-15/2019, Dated 14.05.2019, that all the position created by the Finance Department for all the regularized post under the KP Employees (Regularization of Services) Act 2018 shall be created/placed at the strength of attached formations of the respective administrative department except the position of Planning Cell.

During audit of the Secretary to Government of Khyber Pakhtunkhwa Peshawar, Health Department for the Financial Year 2018-19, it was observed that 18 numbers of employees of the Health Sector Reform Unit (HSRU) were regularized in pursuance of KP Employees of Health Department Regularization of Services Act 2017 (Act No.VII 2017) w.e.f 01.07.2017 and were placed at the strength of the Health Secretariat (PR 4304). Similarly, in pursuance of KP Employees of Health Department Regularization of Services Act 2018, the services of these employees (10 in no's) working on contract basis in Financial Management Unit were regularized and were placed at the strength of the Health Secretariat (PR 4304).

Audit held that these departments were declared as attached department and secretariat allowance 20% of the basic pay was not admissible to employees of the attached department, hence the payment of Rs 4.021 million was unauthorized. (As detailed below):-

Name of office	Year	Amount of Special /Secretariat allowance Rs.	Health Professional Allowance Rs.
HSRU	2017-18	1,720,592	4,032,000
HSRU	2018-19	1,693,520	4032,000
FMC	2018-19	607,392	8,064,000

The Doctors working in Health Sector Reform Units were drawing Health Professional Allowance along with Special Allowance, which was not admissible

The lapse occurred due to weak internal controls.

When pointed out in November 2019, the Department stated that recovery will be made as per rules.

Audit requested the Department for holding of DAC meeting vide letter dated 20-11-2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends recovery.

**AP No.80 (2018-19)**

**8.4.37 Irregular retention of the terminated nurse in service& payment - Rs. 2.019 million**

The DG Health Services Peshawar vide his endorsement No.359-382/E-II, dated 22-01-2016, appointed 192 Charge Nurses in BPS-16 on Adhoc basis for one year with the condition that the appointment shall be health facility-specific and non-transferrable. On the expiry of one year or on arrival of the recommended of the Commission whichever is earlier, the service of the employee shall stand automatically terminated. No extension will be granted on the expiry of the Adhoc appointment.

During audit of the District Head Quarter Hospital Chitral for the Financial Years 2017-18& 2018-19, the accounts record of revealed that Miss Mehrina BiBi was appointed on ad-hoc basis vide endorsement mentioned

above. She was paid Rs.2,019,163/- on account of her salary till date of audit. i.e 11/2019. (As detailed below):

(Rs.)				
Name	Period	Months	Monthly salary	Total
Mehrina BiBi	29-01-2016 to 28-01-2017	12	0	0
	29-01-2017 to 30-11-2017	10	54,080	540,800
	12/2017 to 6/2018	07	55,752	390,264
	7/2018 to 11/2018	05	62,028	310,140
	12/2018 to 6/2019	07	63,852	446,964
	7/2019 to 11/2019	05	66,199	330,995
<b>Total</b>				<b>2,019,163</b>

Audit held that her appointment was made for one year i.e from 29-01-2016 to 28-01-2017, and according to the appointment order, she was required to have been relieved of her duties after one year. Contrarily she was neither regularized nor was her appointment extended and retained in service till date of audit i.e. 11/2019. The payment of Rs. 2,019,163/- was held irregular.

The irregularity occurred due to weak internal controls.

When pointed out in November 2019, it was stated that detailed reply will be submitted in due course before the DAC.

Audit requested the Department for holding of DAC meeting in December 2019 vide letter dated 06-12-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 102 (2018-19)**

**8.4.38 I. Non-deposit of 50% user charges share- Rs.22.868 million**

**II. Unjustified expenditure on account of repair of machinery and equipment- Rs.16.139 million**

According to Finance Department, Khyber Pakhtunkhwa instructions vide letter dated 29.04.2013, 50% of the hospital income be kept in Bank for Repair and Maintenance of machinery and equipment of the hospital.

During audit of the Institute of Kidney Diseases Peshawar for the Financial Year 2017-18, it was observed that a sum of Rs.45.736 million was

realized as hospital receipts. As per the rules mentioned above, an amount of Rs.22.868 million as a 50% share of the total receipts was required to have been deducted from the total hospital receipts for Repair and Maintenance of Machinery & Equipment, which was not done. Further scrutiny of the record revealed that an amount of Rs.16.139 million was shown drawn under regular Head of Account AO131-Repair of Machinery and Equipment, which was unjustified.

The loss occurred due to non-adherence to rules and regulations.

When pointed out in January 2019, the department stated that detailed reply will be given later on.

Audit requested the Department for holding of DAC meeting in March 2019 and subsequent reminders vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.565 (2017-18)**

#### **8.4.39 Non-deposit of hospital receipt-Rs 2.179 million**

According to Para 5.2.3.1 of the Accounting Policies and Procedure Manual (APPM), The Principal Accounting Officers of those entities responsible for administering revenue collections (such as tax authorities) must ensure that all sums due to the Government are promptly realised, banked and credited to the Consolidated Fund.

During audit of the DHQ Hospital Bannu for the Financial Years 2016-17 and 2017-18, it was observed that hospital receipts amounting to Rs 2.179 was less deposited by the units in charge and hospital Almoner. (As detailed below):

**(Rs.)**

<b>S#</b>	<b>AP No.</b>	<b>Amount realized</b>	<b>Amount deposited</b>	<b>Less deposit</b>
1	826	6,557,638	5,224,826	1,332,812
2	829	3,733,768	2,887,638	846,130
<b>Total</b>		<b>10,291,406</b>	<b>8,112,464</b>	<b>2,178,942</b>

The lapse occurred due to weak internal controls.

When pointed out in March 2019, the department stated that a detailed reply will be submitted after checking of proper record.

Audit requested the Department for holding of DAC meeting in June 2018 followed by reminder dated 17.10.2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery and deposit of hospital dues.

**AP 826 & 829 (2017-18)**

**8.4.40 Non-deduction of income tax from house officer's stipend- Rs.2.023 million**

According to Section-12 of the Income Tax Ordinance 2001 as amended up-to 30-06-2017, Salary means;

(1) Any salary received by an employee in a tax year, other than salary that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Salary"

(2) Any amount received by an employee from any employment, whether of a revenue or capital nature, including—(a) any pay, wages or other remuneration provided to an employee, including leave pay, payment in place of leave, overtime payment, bonus, commission, fees, gratuity or work condition supplements (such as for unpleasant or dangerous working conditions).

According to RTO Peshawar Show Cause u/s 16/205 for non-deduction of Income Tax from stipends of House Officers for the tax year 2017 dated 14-12-2016, Income tax on stipend is leviable @ Rs.2000 plus 5% of the amount exceeding Rs.500,000 p.a.

During audit of the Ayub Medical Teaching Institute Abbottabad for the Financial Year 2017-18, it was observed that House Job Officers were paid stipend @ Rs.51643 per month during the period i.e. w.e.f 7/2017 to 6/2018 but Income Tax at the prescribed rate was not deducted from the concerned officers. This resulted in a non-deduction of income tax amounting to Rs.2,023,059/-.

The lapse occurred due to violation of rules and regulations.

When pointed out in March 2019, it was stated that detailed reply will be furnished after consultation with concerned units and original record.

Audit requested the Department for holding of DAC meeting in March 2019 and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery.

**AP No. 756 (2017-18)**

#### **8.4.41 Non-deduction of science teaching allowance during summer vacation– Rs.3.100 million**

According to the Finance Department Notification dated 06-10-2009, non-practicing allowance, teaching allowance and special allowance to basic science teachers are not admissible to civil servants during period of leave and vacation.

During audit of the Gajju Khan Medical College Swabi for the Financial Year 2017-18, it was observed that the college remained closed on account of summer vacations from 01-06-2017 to 15-08-2017 and 100% of the students were residing in the college's hostel. The summer vacations and hostel closing was notified vide Office Order dated 27-05-2017. However, Science Teaching Allowance was regularly paid to all the faculty members during the summer vacations. This resulted in the non-deduction of Science Teaching Allowance of Rs.3,100,000/-.

The non-deduction of the Science Teaching Allowance during Summer Vacations was due to weak financial management.

When pointed out in June 2019, the management stated that detailed reply will be submitted after consulting the relevant record.

The matter was reported to the Department for holding of DAC meeting and subsequently reminded vide letter dated 17-10-2019. However no DAC meeting was not convened till finalization of this Report.

Audit recommends recovery.

**AP No.945 (2017-18)**

#### **8.4.42 Non-deduction of allowances during leave- Rs.1.728 million**

According to the Finance Department's standing orders, Conveyance and Health Professional Allowances are not admissible during the leave. Uniform and Mess Allowances being compensatory type allowances, are also not admissible during the leave.

During audit of the District Headquarter Hospital Nowshera for the Financial Year 2018-19, it was observed that a sum of Rs.1,727,534/- was paid on account of Conveyance Allowance, HPA, Mess and Uniform Allowances to various staff including doctors, paramedics, and technicians during different kinds of leave. The drawl of above-mentioned allowances was unauthorized.

The lapse occurred due to a violation of the Finance Department's orders regarding deduction of the said allowances during leave.

When pointed out in October 2019, the Hospital Management replied that recovery will be started soon.

Audit requested the Department for holding DAC meeting vide letter dated 13-11-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 06 (2018-19)**

#### **8.4.43 Less deposit of maintenance/depreciation charges - Rs.7.295 million**

According to Khyber Pakhtunkhwa Finance Department letter dated 29-04-2013 “w.e.f 1<sup>st</sup> May, 2013 at least 50 percent of the amount recovered from the diagnostic services rendered to the patients will be diverted to a separate account to be maintained specially for the maintenance and repair of equipment. This fund will only be utilized for the said purpose”.

During audit of the Bacha Khan Medical Complex Swabi for the Financial Year 2018-19, it was observed that receipts realized from the diagnostic services rendered to the patients were distributed among the doctors/paramedics staff in violation of the approved distribution formula which resulted in less receipt amounting to Rs. 7.295 million.(As detailed below):

(Rs.)

Service	Amount Realized	Maint Charges @ 50%	Divisible Share	Govt Share	Total Amount to be deposited	Amount Deposited	Short Deposit
CT Scan	5,378,800	2,689,400	2,689,400	1,613,640	4,303,040	2,904,552	1,398,488
ECG	1,006,250	503,125	503,125	301,875	805,000	543,375	1261,625
ECHO	3,829,200	1,914,600	1,914,600	1,148,760	3,063,360	2,067,768	995,682
ETT	487,200	243,600	243,600	146,160	389,760	263,088	126,672
LAB	8,603,226	4,301,113	4,301,113	2,580,668	6,881,178	4,645,202	2,235,976
Memography	40,800	20,400	20,400	12,240	32,640	22,032	10,608
Endoscopy	213,400	106,700	106,700	64,020	170,720	115,236	55,484
Ultra Sound	2,476,910	1,238,455	1,238,455	743,073	1,981,528	1,337,531	643,997
X-Ray	937,350	468,675	468,675	281,120	749,880	506,169	243,711
U.Sound 2017-18	2,276,020	1,138,010	1,138,010	682,806	1,820,816	1,500,467	320,349
Lab 2017-18	7,202,405	3,601,202	3,601,202	2,160,721	5,761,924	4,759,680	1,002,244
				<b>Total</b>	<b>25,959,846</b>	<b>18,665,100</b>	<b>7,294,836</b>

Audit held that 50% of the amount realized on the account of diagnostic services should have been deposited in a separate account for the repair and maintenance of equipment which was not done resulting in overpayment as staff share.

The lapse occurred due to violation of Finance Department's instructions.

When pointed out in October 2019, it was stated that detailed reply will be furnished in DAC meeting after scrutiny of relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 15-11-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter & fixing responsibility against the person(s) at fault.

**AP No.23 (2018-19)**

#### **8.4.44 Less deduction of user charges- Rs.3.649 million**

According to the Finance Department letter dated 29.04.2013, maintenance and repair charges @ 50% is to be deducted from the diagnostic services rendered to patients and will be credited into separate accounts to be maintained especially for the maintenance and repair of equipment.

During audit of the Ayub Medical Teaching Institute Abbottabad for the Financial Year 2017-18, it was observed that chemical/kit cost and depreciation charges (5%+5%) were being deducted from revenue generated by the ATH Diagnostic Units i.e. Laboratory-&-Blood Bank, CT, MRI, & Radiology, instead of 50% as prescribed by the Finance Department. This resulted in less deduction of user charges ( maintenance and repair charges) amounting to Rs. 5.683 million.

The lapse occurred due to a violation of rules and regulations.

When pointed out in March 2019, the department stated that a detailed reply will be furnished after consultation with concerned units and the original record.

Audit requested the Department for holding of DAC meeting in March 2019 and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.774 (2017-18)**

#### **8.4.45 Less deposit of receipts in government treasury-Rs.1.941 million**

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

During audit of the Molvi Ameer Shah Hospital Peshawar for the Financial Year 2017-18, it was observed that an amount of Rs.12529521/- was realized from different units of the hospital. Whereas an amount of Rs.10,588,817/- was deposited, leaving a balance of Rs.1,940,704/- that remained un-deposited which needs justification.

The laps occurred due to a violation of rules & regulations.

When pointed out in May 2018, the department stated that a detailed reply will be given later on.

Audit requested the Department for holding of DAC meeting in May 2019 and subsequently reminded vide letter dated 17-10-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends investigating the matter & fixing responsibility against the person(s) at fault.

**AP No. 873 (2017-18)**

**8.4.46 Less deposit of hospital receipts-Rs.1.579 million**

According to Para 5.2.3.1 of the Accounting Policies and Procedure Manual (APPM), The Principal Accounting Officers of those entities responsible for administering revenue collections (such as tax authorities) must ensure that all sums due to the Government are promptly realised, banked and credited to the Consolidated Fund.

During audit of the District Headquarter Hospital Nowshera for the Financial Year 2018-19, it was observed that a sum of Rs.5,256,410/- was realized as receipts from various units of the Institution whereas the department deposited an amount of Rs. 3,675,127/- resulting in less deposit of Rs.1,579,127/- (As detailed below):

(Rs.)

S.No.	Name of Unit	Total Receipts Realized	Amount Deposited Into Treasury	Amount Not Deposited/Difference
1	OPD Receipts & Ambulance Service	2,665,550	2,127,703	537,820
2	Casualty OPD	2,039,950	1,472,200	565,750
3	Ultrasound, X-Ray, Laboratory	550,910	75,353	475,557
<b>Total</b>		<b>5,256,410</b>	<b>3,675,256</b>	<b>1,579,127</b>

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in October 2019, the Hospital Management replied that the person at fault is committed that he will deposit money.

Audit requested the Department for holding the DAC meeting vide letter dated 13-11-2019. However, no DAC meeting was convened till the finalization of this report.

Audit recommends recovery.

**AP No. 01,02& 03 (2018-19)**

#### **8.4.47 Non-imposition of penalty, forfeiting of bid security and performance guarantee amounting to Rs.3.274 million**

According to standard bidding document for Selection and Rates Contracting of Drug/Medicines, Medical Devices, Surgical Disposables & Non-Drug Items (MCC) clause 22 (b) & (c (i,ii,iii)) as below:-

22 (b) a lump-sum total penalties amounting to 07 % of the total quoted price of such goods, whose supply was delayed up to 60 days out of the same supply order was issued to the supplier.

22 (c) in case of delay in supply beyond sixty days, as in clause 22(b), the supply order issued by the purchasing agency shall stand canceled to the extent of non-supplied items and in such a case, the Procuring Agency shall have the right, duty, and authority to impose any or all of the below-mentioned penalties; that is

- i. Forfeiting the bids security and/or performance guarantee of the Supplier as related to this contract agreement; and /or
- ii. Immediately debarring the supplier from future participation and business for at least three (03) calendar years with Government of KP through MCC or any other health institution, project and /or Program directly or indirectly run or implemented by or through the provincial Health Department or Purchasing Agencies in the Province, as defined in the SBDs, and District Government in the Province; and/or
- iii. Initiating the process for and recommending for permanent blacklisting of the Supplier with Purchasing Agencies.

During audit of the Ayub Medical Teaching Institute Abbottabad for the Financial Year 2017-18, it was observed that the supply order for medicines and disposable from emergency and regular budget were placed to the approved MCC contractor as per detail list and copies of supply order attached to be completed within 30 days or the period extended. These firms failed in providing the medicines and disposables to the hospital in stipulated time. Audit held that neither penalty @ 7 % amounting to Rs. 927,832 (13,254,750 X 7%) was recovered nor any action i.e forfeiting of bid security and performance security amounting to Rs.1,325,475 (13,254,750 X 10 %) totaling Rs. 2,253,307 was not made by the department.

The lapse was occurred due to non-observance of the MCC bidding documents.

When pointed out in March 2019, that department stated that detailed replies will be furnished after consultation with concerned units and original records.

Audit requested the department for holding the DAC meeting vide letter dated 11-06-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against Person(s) at fault.

**AP No.747 (2017-18)**

#### **8.4.48 Non-cancellation of contract & recovery of penalty for late supply- Rs.4.845 million**

The MS DHQ while awarding supply orders to the firms, has mentioned that in case of failure to complete supply within the stipulated period i.e 90 days, penalty @ 0.067% per day and if the delay exceeds 120 days then 8% of the contract amount will be charged. After 150 days delay the contract will be canceled and Performance Security forfeited.

During audit of the DHQ Chitral for the financial years 2017-18& 2018-19, it was observed that the hospital issued supply orders to various firms for the purchase of equipment under the special directive of the cabinet meeting held on 26-10-2017. The firms failed to supply within the prescribed period, Hence, were liable to pay penalty at a prescribed rate amounting to Rs. 4,844,600 /- The supply orders after 150 days delay were required to have been canceled and their Performance Security forfeited. Audit observed that in most of the cases the delay was more than 150 days but neither supply orders were canceled nor Performance Security forfeited. The non-cancellation of supply orders, forfeiture of Performance Security and recovery of penalty amounting to Rs. 4,844,600/- needs justification.

The irregularity occurred due to a violation of rules.

When pointed out in November 2019, it was stated that detailed reply will be submitted in due course before the DAC.

Audit requested the Department for holding of DAC meeting in December 2019 vide letter dated 06-12-2019. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery.

AP No. 97 (2018-19)

**8.4.49 Non-deposit of government receipts in government treasury-  
Rs.3.267 million**

According to Para 5.2.3.1 of the Accounting Policies and Procedure Manual (APPM), The Principal Accounting Officers of those entities responsible for administering revenue collections (such as tax authorities) must ensure that all sums due to the Government are promptly realised, banked and credited to the Consolidated Fund.

During audit of the Bacha Khan Medical Complex Swabi for the Financial Years 2017-18 & 2018-19, it was observed that an amount of Rs.3,267,746/-was realized from 4% hospital share from Pharmacy which was not deposited into the government treasury. (As detailed below):

**(Rs.)**

S.No	Received from	Month	4% Share Amount
1	Super Decent (Hospital Private Pharmacy)	Nov, 18	276,731
2	Super Decent (Hospital Private Pharmacy)	Dec, 18	249,179
3	Super Decent (Hospital Private Pharmacy)	Jan, 19	153,000
4	Super Decent (Hospital Private Pharmacy)	Feb, 19	193,100
5	Super Decent (Hospital Private Pharmacy)	Mar, 19	91,850
6	Super Decent (Hospital Private Pharmacy)	Apr, 19	290,736
7	Super Decent (Hospital Private Pharmacy)	May, 19	440,000
8	Super Decent (Hospital Private Pharmacy)	June, 19	442,600
9	Super Decent (Hospital Private Pharmacy)	July, 19	427,550
10	Super Decent (Hospital Private Pharmacy)	August, 19	703,000
<b>Total</b>			<b>3,267,746</b>

Audit held that retention of government money was a violation of the government rule and regulations.

The lapse occurred due to weak internal controls.

When pointed out in October 2019, it was stated that a detailed reply will be furnished after scrutiny of the relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 15-11-2019. However, no DAC meeting was not convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility for the lapse.

**AP No. 55 (2018-19)**

**8.4.50 Fraudulent drawl on account of purchase of tables worth USD 171800 – Rs. 23.863 million**

As per minutes of the 40th IMC meeting of LRH-MTI dated 09-03-2018, purchase of 28 Electro-Hydraulic Operation Tables was approved.

During audit of the Lady Reading Hospital Peshawar for the Financial Year 2018-19, it was observed that the local hospital placed a purchase order for OT tables vide Order dated 26-02-18. Approval of purchase of a total of 28 number of OT tables(04 for the present OTs and 24 for the Allied Building) was obtained from IMC in its 40th meeting vide Minutes dated 09/03/2018. Further scrutiny of the import documents revealed that commercial invoice of only 20 number of OT tables having No. 30179367 dated 01-02-2019 was available. This showed that 04 number of OT tables were not imported, resulting in overpayment of USD 171,800 (Rs. 23.863 million).

Audit held that it was the sole responsibility of the Material Management and Finance Department to check and scrutinize the import documents and make sure that the exact quantity of equipment is imported, which was not done in the instant case.

The lapse occurred due to weak internal controls and violation of rules.

When pointed out in October 2019. It was stated that detailed reply will be furnished later on.

Audit requested department for holding DAC meeting vide letter dated 23-12-2019. However no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 223 (2018-19)**

## Chapter – 9

### Home & Tribal Affairs Departments

#### 9.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of :

- ❖ Public Order and internal security.
- ❖ Political intelligence and censorship.
- ❖ Administration of Justice, constitution and organization of courts except the High Court.
- ❖ Criminal Law and Criminal
- ❖ Arms, ammunition and military stores.
- ❖ Crime report.
- ❖ Prisons, reformatories and similar institutions, classification and transfer of prisoners, state, political prisoners, Good Conduct Prisoners and Probationer Release Act.
- ❖ Extradition and Deportation.
- ❖ Question of domicile and application for Nationality certificates
- ❖ Registration of aliens.

#### Audit Profile of Home & Tribal Affairs Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	197	10	11,761.729	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc</li></ul> (Excluding FAP)	05	01	99.954	N/A
3	Authorities/Autonomous bodies etc under PAO	02	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	Nil Report	N/A

### 9.1 B) Comments on budget & accounts (variance analysis)

#### Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2018-19 against the total of grants/appropriation was as follows:

#### Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
08-Home and TA	NC21	1,562,188,000	1,030,000	1,563,218,000	1,361,903,366	(201,314,634)
09-Jails and Convict's Settelemment	NC21	2,595,860,000	110	2,595,860,110	2,286,043,976	(309,816,134)
10-Police	NC21	47,861,000,000	600	47,861,000,600	41,563,843,506	(6,297,157,094)
<b>Total</b>		<b>52,019,048,000</b>	<b>1,030,710</b>	<b>52,020,078,710</b>	<b>45,211,790,848</b>	<b>(6,808,287,862)</b>

#### Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Home & TA	NC22	201,043,000	0	61,961,000	61,601,145	(359,855)
Home & TA	NC12	1,358,957,000	0	1,570,378,000	1,565,370,082	(5,007,918)
<b>Total</b>		<b>1,560,000,000</b>	<b>0</b>	<b>1,632,339,000</b>	<b>1,626,971,227</b>	<b>(5,367,773)</b>

#### Overview of expenditure against the final grant;

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	52,020.08	45,211.79	(6,808.29)	(13.09)
Development	1,632.34	1,626.97	(5.37)	(0.33)
<b>Total</b>	<b>53,652.42</b>	<b>46,838.76</b>	<b>(6,813.66)</b>	<b>(12.70)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 12.70% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

## 9.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,603.713 million were raised in this report during the current audit of Home & Tribal Affairs Department. This amount also includes recoveries of Rs. 83.187 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

### Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	27,056,000
3	Irregularities	
A	HR/Employees related irregularities	69,413,922
B	Procurement related irregularities	1,466,308,230
C	Management of Accounts with Commercial Banks	24,971,768
4	Value for money and service delivery issues	11,254,256
5	Others	4,709,000

## 9.3 Brief comments on the status of compliance with PAC directives:

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	2001-02	Home & TA	36	28	-	08
02	2002-03	-do-	18	08	-	10
03	2003-04	-do-	12	09	-	03
04	2004-05	-do-	37	25	-	13
05	2005-06	-do-	04	03	-	01
06	2007-08	-do-	04	03	-	01
07	2008-09	-do-	12	05	-	07
08	2009-10	-do-	13	07	-	07
09	2010-11	-do-	39	10	-	29
10	2011-12	-do-	27	15	-	12
11	2012-13	-do-	12	06	-	06
12	2013-14	-do-	19	08	-	11
13	2014-15	-do-	18	09	-	09

## **9.4 Audit Paras**

### **9.4.1 Loss due to short supply of various items and non-imposition of penalty Rs. 1330.108 million**

According to Para (1.1 to 1.3), the agreement shall come into force on the date on which both the parties sign the agreement. This agreement shall be for supply of Arms and Ammunition, duly agreed by both the parties as per the description and approved specification. The agreement shall be valid for the Financial Year 2017-18.

Furthermore, Para-19 (I), (V) and (VI) of GFR Vol-I provide that the terms of the contract must be precise, definite and there should be no room for any ambiguity. It should state the quantity, quality, specification, time limit, penalties, and the security to be lodged. Provisions must be made in contracts for safeguarding government property entrusted to a contractor.

During audit of the Inspector General of Police Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that against the total amount of Rs. 1542.867 million which was paid in advance for the supply of various items, the POF WAH could only supply items valuing Rs. 212.944 million, leaving a balance of Rs. 1329.923 million. Similarly, an amount of Rs.3.708 was also incurred on the purchase of miscellaneous items, but the suppliers failed to complete the delivery within the stipulated time, and the penalty of Rs. 185,417/- was not imposed/ recovered on the suppliers.

The loss occurred due to non-adherence to rules and regulations.

When pointed out June 2019, the department stated that detailed reply will be furnished after consulting the original record.

In the DAC meeting held on 24.10.2019, the Management replied that the payment was made in June 2018 with a delivery period of 09 months which is completed in March 2019, but the POF authorities have not completed the delivery within the stipulated period. It was decided that the Para should stand till complete supply, along-with revision of the contract/ agreement by the IGP KP for avoiding such inordinate delay.

Audit recommends implementing the DAC decision.

**AP No. 265 & 280 (2017-18)**

#### **9.4.2 Loss due to short supply of furniture items and non-imposition of penalty Rs. 72.930 million**

According to contract agreement:

1. Para-3 (3.1 to 3.3), the agreement shall be valid for 2017-18.
2. Para-4 (4.2), completion of the delivery within 09 months from the date of an advance payment.
3. Para-4 (4.9), in case of delayed supply the Government. will be at liberty to impose liquidated damages @ 2% per month maximum up to 5% of the total contract price.
4. While Para-19 (V) of GFR Vol-I provides that the lowest rate should be accepted otherwise reasons for rejection be recorded.

During audit of the Inspector General of Police Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that:

1. Against the total amount of Rs. 99.252 million, which was paid in advance to M/S SAW Mills for the supply of furniture items, (details in original Para), the supplier could only supply items valuing Rs. 56.677 million, leaving a balance of furniture valuing Rs. 65.929 million.
2. The supply was required to be completed within the stipulated time but the suppliers failed to complete the delivery within the targeted period, and the penalty of Rs. 4.962 million was not imposed.
3. The lowest rates of some items of Pak German Wood Working Centre were ignored and the purchase was made at higher rates due to which the government sustained a loss of Rs. 2.039 million.

The loss occurred due to non-adherence to rules and regulations.

When pointed out June 2019, the department stated that detailed reply will be furnished after consulting the original record.

In the DAC meeting held on 24.10.2019, the reply of the Management was not convincing. It was decided to stand the Para till complete supply, along with imposition of penalty.

Audit recommends ensuring complete supply, along-with recovery of penalty.

**AP No. 266 (2017-18)**

### **9.4.3 Loss to government due to ignoring approved rates- Rs. 58.079 million**

According to Para-1 (1.1 to 1.3), the agreement shall come into force on the date on which the parties sign the agreement. This agreement shall be for the supply of Arms and Ammunition duly agreed upon by the parties as per the description and approved specifications. The agreement shall be valid for the same financial year.

Furthermore, Para-19 (I), (V) and (VI) of GFR Vol-I provides that the terms of the contract must be precise, definite and there should be no room for any ambiguity. It should state the quantity, quality, specification, time limit, penalties, and the security to be lodged. Provisions must be made in contracts for safeguarding government property entrusted to a contractor.

During audit of the Inspector General of Police Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that a sum of Rs.761.59 million was paid to POF WAH as an advance payment for the purchase of Arms and Ammunition on the agreed rates of the Financial Year 2016-17. The bills were pre-audited by the AG office and cheque was submitted to the concerned, who failed to cash in time. The Finance Department again released the funds equal to the amount but the purchase was made at higher subsequent year rates, due to which the government sustained a loss of Rs. 58.079 million.

The loss occurred due to non-adherence to rules and regulations.

When pointed out June 2019, the department stated that detailed reply will be furnished after consulting the original record.

In the DAC meeting held on 24.10.2019, the reply to the management was not convincing. It was decided to stand the Para till detailed verification regarding payment on higher rates than the agreed rates of the same financial year. No verification has been made till finalization of this Report.

Audit recommends implementing the DAC decision.

**AP No. 267 (2017-18)**

#### **9.4.4 Loss due to less-deduction of Income Tax, non-deduction of DPR charges and Profession Tax from the contractors- Rs. 3.921 million**

As per section 153(1) of the Income Tax Ordinance 2001, 7.75% income tax is deductible from the payments made for the supply of items.

According to the Directorate of Social Welfare & Women Development letter dated 28-06-2016, the Provincial Government has decided to deduct Rs. 2000/- per million from the contractors/ firms bills and deposited into Account No.(0002) 12988-1 Bank of Khyber University Road Peshawar, in the name of the Director Social Welfare/ Secretary PCRDP.

According to the Government of Khyber Pakhtunkhwa Excise & Taxation Department letter dated 21-07-2014, Professional tax at a prescribed rate should be recovered from the contractors/ suppliers.

During audit of the Superintendent Central Prison Peshawar for the Financial Years 2017-18 & 2018-19, it was observed that an amount of Rs.106,043,567/-(41,752,302+64,291,264) was paid to various contractors on account of supply of Ration items, Uniform and Bedding & Clothing, but Income Tax was deducted @ 4.5% instead of @ 7.75%. The deduction of income tax at lesser rates resulted into a loss Rs.3,446,416/- (2,089,466 + 1,356,950) to Government. Similarly, DPR at the prescribed rate was not deducted from the payments so made to the contractors. This resulted into a loss of Rs. 212,088/- (128583+83505). Besides, Rs. 104,955,369/- (63,291,192+41,664,177) were paid to various contractors during the Years 2017-18 & 2018-19. However, Professional Tax of Rs. 262,000/- (142000 +120,000) was not recovered

The lapse occurred due to weak financial controls.

When pointed out in October 2019, the department stated that detailed reply will be furnished after consulting the original record.

The matter was reported to the Department vide this office management letter dated 8.11.2019 for arrangement of DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 57 (2018-19)**

#### **9.4.5 Loss due to non-recovery of income tax - Rs. 1.273 million**

According to Commissioner Inland Revenue letter dated 07.07.2014, income tax @ 10% should be recovered from the payment made for services rendered.

During audit of the District Police Officer Kohat for the Financial Year 2018-19, it was observed that payment of Rs. 11,176,720/- (9779630 +1397090) was made to wardens on account of their commission and rewards @ 40% (1:12:22=35% + 5%), but Income Tax @ 10% amounting to Rs. 1,117,672 (11,176,720\*10%) was not recovered. This resulted in a loss of Rs. 1,117,672/- to the Government. Similarly, an expenditure of Rs. 2,070,000/- was incurred on the feeding charges of police personals deputed for election duties. Income Tax @ Rs.7.5% amounting to Rs. 155,250/- was not recovered from the supplier. This resulted in a total loss of Rs. 1,272,922/- to the government.

The lapse occurred due to violation of Income Tax Ordinance 2001.

When pointed out October 2019, the department stated that detailed reply will be furnished after consulting the original record.

The matter was reported to the Department vide this office management letter dated 25.10.2019 for arrangement of DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 50 (2018-19)**

#### **9.4.6 Non-recovery of outstanding government dues- Rs. 62.431 million**

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

During audit of the District Police Officer Kohat for the Financial Year 2017-18, it was observed that police guards/ staff (2 Head-Constables and 10 Constables) were deployed in Railway Department for security purpose and payment of Rs. 62,431,935/- was made to them on account of their salary by the local office. Such an amount should have been reimbursed by the borrowing offices as the duties were performed in those offices. The DPO was

unable to calculate their actual dues outstanding against the Railway Department as no reconciliation was carried out.

The lapse occurred due to weak internal controls.

When pointed out in April 2019, the department stated that detailed reply will be furnished after consulting of record.

Audit requested the department for holding of the DAC meeting vide DO letter dated 10.10.2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 250 (2017-18)**

#### **9.4.7 Non-recovery of DPR charges Rs. 4.709 million**

According to the Directorate of Social Welfare and Women Development Department's Letter dated 27-09-2011, DPR charges @ 2000/- per million is required to be deducted from the contractors/ firms/ suppliers bills.

During audit of the Inspector General of Police Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that a sum of Rs.2,354.532 million was paid on account of various item but DPR charges amounting to Rs. 4.709 was not deducted resulting in a non-recovery of Rs.4.709 million.

The loss occurred due to non-adherence to rules and regulations.

When pointed out June 2019, the department stated that detailed reply will be furnished after consulting the original record.

In the DAC meeting held on 24.10.2019, the Management replied that no such instructions were circulated by the Finance Department to deduct DPR charges. It was decided to refer the Para to the Finance Department for clarification but no clarification has been made till finalization of this Report.

Audit recommends implementing the DAC decision.

**AP No. 270 (2017-18)**

#### 9.4.8 Overpayment on account of feeding charges during election - Rs.1.270 million

As per the duty roster, a total of 1000 Nos. of personnel were deployed in 192 polling stations in District Buner, but the feeding charges were claimed beyond the deployed staff. (As detailed below)

During audit of the District Police Officer Buner for the Financial Year 2018-19, it was observed that a sum of Rs. 1.270 million was overpaid to the MS Sheer Zaman Restaurant Buner, on account of feeding charges during the General Election 2018. Further scrutiny of the record revealed that the local office has a total sanctioned strength of 1270 Nos. of officers and official (both law & order and Investigation). As per the duty roster, a total of 1000 Nos. of personnel were deployed in 192 polling stations in District Buner, but the feeding charges were claimed beyond the deployed staff. (As detailed below):

(Rs.)

Date	Time	No. of personnel Claimed	Actual Nos. deployed	Difference	Rate Rs.	Total
24.07.18	Lunch	2,370	1000	1370	156	213,720
24.07.18	Dinner	3,250	1000	2250	156	351,000
25.07.18	Breakfast	1,825	1000	825	78	64,350
25.07.18	Lunch	3,340	1000	2340	156	365,040
25.07.18	Dinner	2,770	1000	1770	156	276,120
<b>Total</b>						1,270,230

The lapse occurred due to weak internal controls.

When pointed out in November 2019, the department stated that detailed reply will be furnished after scrutiny of relevant record.

Audit requested the department for holding DAC meeting vide letter dated 20-11-2019. However, no DAC meeting was convened till finalization of this report dated 28-11-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 83 (2018-19)**

#### **9.4.9 Un-authorized opening of bank account- Rs. 21.201 million**

According to Para-7 of GFR Vol-I, “Unless otherwise expressly authorized by any law or rule having the force of law, money may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Ministry of Finance”.

During audit of the District Police Officer Hangu for the Financial Year 2017-18, it was observed that a bank account No. 4015274103 titled “District Police Officer” is operated in NBP Hangu Branch and a payment of Rs.21,200,768/- million was made out of the said account during the Year 2017-18. It was observed that:

1. The authorization of the Finance Department for the opening of the bank account was not provided; rather it was informed that the said account is in operation since long.
2. The funds received for security arrangements for Polio campaigns are kept in the said account. Furthermore, for operational expenses like TA/DA and contingencies, etc; the payments are drawn from the Treasury in the name of DDO instead of payments through cross cheques in the name of venders, and deposited in the said designated account.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in March 2019, the department stated that detailed reply will be furnished after consulting the record.

In the DAC meeting held on 23.09.2019, the Management replied that there is no rule available regarding obtaining authorization from the Finance Department. It was decided to stand the Para for an inquiry to be conducted by the Administrative Department regarding expenditure and report be submitted, regarding the transactions from the said bank account, but no inquiry has been initiated till finalization of this Report.

Audit recommends implementation of the DAC decision.

**AP No. 226 (2017-18)**

#### **9.4.10 Un-authorized retention of government money - Rs. 11.254 million**

According to Section 4.3.1 of APPM, all payments should be made through a crossed cheque, read with rule 187 of Treasury Rules and Note there under, to make all payments through crossed cheque issued on the vendor number of the supplier instead of payments through DDO of the concerned department.

During audit of the District Police Officer D.I.Khan for the Financial Year 2018-19, it was observed that Rs. 178,439,440/- were drawn in advance from government treasury through DDO without fulfilling the codal formalities and deposited into bank account maintained in NBP DI Khan branch. Further scrutiny of the record revealed that out of the total amount, an amount of Rs. 178,439,075/- was incurred on different purposes and Rs. 11,254,256/- were still lying in the said bank account on 30-06-2018. The balance amount includes previous years' balances also.

The lapse occurred due to weak internal controls.

When pointed out in November 2019, it was stated that detailed reply will be given later on.

Audit requested the department for holding DAC meeting vide letter dated 20-11-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 92 (2018-19)**

#### **9.4.11 Unverified expenditure on account of purchase/ installation of CCTV cameras for General Elections- Rs. 23.728 million**

According to Para-2 of the Home & TA letter dated 13.07.2018 "the actual payee receipts, as well as disbursement accounts be furnished to this Department for production to Audit".

During audit of the Secretary Home & T.A. for the Financial Year 2018-19, it was observed that a sum of Rs. 28.780 was paid to various Deputy Commissioners for the purchase/ installation of CCTV Cameras for highly sensitive polling stations under their jurisdictions, but neither any proof regarding their installation/ functioning was available nor was any physical

verification carried out. The actual payee receipts and disbursement account was also not furnished in compliance with the above-mentioned directives.

The lapse occurred due to the non-observance of rules and regulations.

When pointed out in October 2019, the department stated that detailed reply will be given after consulting the original record.

The matter was reported to the Department vide this office management letter dated 22.10.2019 for arrangement of DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 27 (2018-19)**

**9.4.12 I. Irregular retention of government revenue- Rs. 3.771 million**

**II. Loss due to keeping the fund in the current account instead of PLS account- Rs. 0.875 million**

According to Rule-7 of the Central Treasury Rules, all moneys received on behalf of government on account of revenues shall without delay be paid in full into government treasury and government receipts should not be utilized towards expenditure.

According to Finance Department letter dated 10.02.2014, all the bank accounts approved by Finance Department should be Profit & Loss Sharing Accounts. And the profit earned on the PLS Accounts should be deposited in government treasury under the following head of account:-

C01	Total income from property
C018	Total interest on loan –Others
C01803	Interest realized on investment of Cash Balance
PR5562	RCO #

During audit of the Superintendent Central Prison Peshawar for the Financial Years 2017-18 & 2018-2019, it was observed that government revenue of Rs. 3.771 million was deposited in the Current Account No. 4004202746 at National Bank of Pakistan Civil Secretariat Branch Peshawar. The amount so deposited was revenue being generated from the welfare shops and auction of dry bread etc. which was required to have been deposited in the

government treasury. Similarly, neither approval for the opening of the account with Commercial Bank was obtained from the Finance Department, nor was the bank account converted to the PLS mode, which resulted into a loss of Rs. 0.875 million of interest to be accrued thereon.

The lapse occurred due to violation of rules and regulations.

When pointed out in October 2019, the department stated that detailed reply will be furnished after consulting the original record.

The matter was reported to the Department vide this office management letter dated 8.11.2019 for arrangement of DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 54 (2018-19)**

#### **9.4.13 Irregular drawl on account of Daily Allowance during leave-Rs.5.710 million**

According to the Finance Department (Regulations Wing) notification dated 01-04-2014, fixed daily allowance of 07 days in a calendar month to all police personnel i.e. Constable-to-Inspector General was admissible at the prescribed rates.

During audit of the Commandant FRP HQ Peshawar for the Financial Year 2015-16, it was observed that various police personnel i.e. Sub-Inspectors, Head Constables and Foot Constables availed earned leave for 1-4 months during July 2015 to June 2016, as was evident from Order Book (OB) register, but no clarification regarding admissibility of the said Allowance during leave was made.

Audit held the drawl of Rs. 5.710 million as irregular.

The lapse occurred due to weak internal controls.

When pointed out in April 2017, it was stated that detailed reply will be given later on.

In DAC meeting held on 08.10.2019, the Department stated that there is no mentioning of the stoppage of the fixed daily allowance for 07 days during the period of leave. The DAC forum did not agree and directed the

Department for obtaining clarification from the Finance Department which was not obtained till finalization of this Report.

Audit recommends recovery.

**AP No. 476 (2015-16)**

#### **9.4.14 Irregular expenditure from government revenue - Rs. 1.120 million**

According to Section 4.3.7.1 of Accounting Policies and Procedure Manual, read with Rule 7 of CTR Vol-1, no expenditure should be paid from or against any Consolidated Fund receipts collected or received by a department/ entity, except where provided under the law.

During audit of the District Police Officer Kohat for the Financial Year 2018-19, it was observed that a total receipt of Rs. 2.389 million was collected from the trainees during the year, out of which expenditure of Rs. 1.120 million was incurred on various activities before its deposit into government treasury, resulting in irregular expenditure from the revenue generated.

The lapse occurred due to weak financial controls.

When pointed out October 2019, the department stated that detailed reply will be furnished after consulting the original record.

The matter was reported to the Department vide this office management letter dated 25.10.2019 for arrangement of DAC meeting. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 48 (2018-19)**

#### **9.4.15 Non-disbursement on account of Polio funds- Rs. 2.208 million**

According to Deputy Commissioner Dera Ismail Khan letters Dated 12-11-2018, dated 18-01-2019 and dated 04-03-2019, the fund was released for security arrangement of polio vaccination campaign subject to observing all codal formalities and laid down procedures.

During audit of the District Police Officer D.I.Khan for the Financial Year 2018-19, it was observed that Rs. 11,193,000/- were received from Commissioner D I Khan Division. Further verification of the bank statement revealed that a sum of Rs. 8,985,389/- were shown disbursed on account of

Polio Vaccination Campaigns and Rs. 2,207,611/- were still lying in the DPO DI Khan account.

Audit held that the amount should have been disbursed/expended on the purpose for which it was provided and the surplus amount should have been credited to quarters concerned, which was not done. Similarly, the disbursement account, actual payee receipts and CNIC copies to whom the payment of Rs. 8,985,389/- was made was also not available on record.

The lapse occurred due to weak internal controls.

When pointed out in November 2019, it was stated that detailed reply will be given later on.

Audit requested the department for holding DAC meeting vide letter dated 20-11-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 94 (2018-19)**

## Chapter – 10

### Housing Department

#### 10.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Administration of Khyber Pakhtunkhwa Provincial Housing Authority Act, 2005.
- Planning and execution of schemes under “Housing for all” and “Housing for Government Employees” and other Housing Schemes from time to time.
- Coordinating, Development Control and Policies with other Government agencies including Local Areas Authorities and Cantonment Boards.
- Formulation of Policies and Control with regard to Urban Growth and Development.
- Area Development Schemes and New Townships.
- Housing Loans and Investments.
- Preparation of schemes for approval of PDWP, CDWP and ECNEC etc
- Execution of works as deposit works.
- Service matters, except those entrusted to Establishment and Administration Department.

#### **Audit Profile of Housing Department;**

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	02	Nil	Nil	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc</li></ul> (Excluding FAP)	04	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	01	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

## 10.1 B) Comments on budget & accounts (variance analysis)

### Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2016-17 against the total of grants/appropriation was as follows:

#### Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
41-Housing	NC21	43,698,000	10	43,698,010	34,152,576	(9,545,434)
<b>Total</b>		<b>43,698,000</b>	<b>10</b>	<b>43,698,010</b>	<b>34,152,576</b>	<b>(9,545,434)</b>

#### Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Housing	NC22	24,515,000	0	0	212,880,000	212,880,000
50-Housing	NC12	323,485,000	0	464,286,000	228,694,714	(235,591,286)
<b>Total</b>		<b>348,000,000</b>	<b>0</b>	<b>464,286,000</b>	<b>441,574,714</b>	<b>(22,711,286)</b>

#### Overview of expenditure against the final grant; (Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	43.70	34.15	(9.55)	(21.84)
Development	464.29	441.57	(22.71)	(4.89)
<b>Total</b>	<b>507.98</b>	<b>475.73</b>	<b>(32.26)</b>	<b>(6.35)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 6.35% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

## 10.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,256.896 million were raised in this report during the current audit of Housing Department. This amount also includes recoveries of Rs. 20.246 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

**Overview of Audit Observations**

<b>S No.</b>	<b>Classification</b>	<b>Amount (Rs.)</b>
1	Non production of record	1,204,440,000
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	25,397,945
C	Management of Accounts with Commercial Banks	20,246,452
4	Value for money and service delivery issues	6,812,534
5	Others	-

**10.3 Brief comments on the status of compliance with PAC directives:-**

<b>S#</b>	<b>Audit Year</b>	<b>Name of Department</b>	<b>Total No. of actionable points</b>	<b>Full compliance</b>	<b>Partial compliance</b>	<b>Nil compliance</b>
1.	2001-02	Housing	40	17	-	23
2	2014-15	-do-	05	03	-	02

## **10.4 Audit Paras**

### **10.4.1 Non-production of record of land acquisition – Rs. 1204.44 million**

According to Para 17 of GFR Vol-I, read with Section 14 of the Auditor-General's Ordinance 2001, "no such information nor any books or other documents, to which the Auditor-General has a statutory right of access, may be withheld from the Director General Audit"

According to the KPK Provincial Housing Authority Regulations 2008, Para 27– Investments, "the Special Committee of PHA shall approve deposit of the surplus money with the scheduled banks for the specified period based on competitive rates. The money on receipt to PHA shall be credited to the current account till the decision of investment is taken by the Finance Committee".

During audit of the Provincial Housing Authority Peshawar for the Financial Year 2017-18, it was observed that funds to the tune of Rs. 1204.44 million were released by Finance Department for land acquisition for a housing scheme at Jalozei Nowshera. The funds were released as seed money for a period of ten years for acquisition of 10037 Kanal land for the said scheme. The following record was requested time and again but was not produced to audit despite the fact that the same was also not produced to the audit for the Financial Year 2015-16 and the DAC forum had directed the authorities to produce the record to the next audit team;

1. Record of payments made till date against the land acquired.
2. Status of the funds disbursed out of Rs. 1204.44 million and unspent balance.
3. Detail of acquired land against the total target of 10037 Kanal Land.
4. Rate assessment per Kanal duly approved with justification of assessed rates.

Furthermore, the amount of Rs. 1204.44 million was released as seed money for ten years, status of funds with regard to investment and interest earned on the said amount was also not known.

The lapse occurred due to violation of rules and regulations.

When pointed out in July 2019, proper record was not provided to audit.

Audit requested the Department for holding DAC meeting vide letter dated 25-07-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 639 (2017-18)**

#### **10.4.2 Loss due to non-utilization of the available earth– Rs.6.813 million**

According to item of 105.3 of General Specification of NHA 1998 clearly states that all the material removed from the excavation shall be used in the formation of embankment, sub grade, shoulder and at such other places as directed, unless it is declared unsuitable and ordered to waste by Engineer.

During audit of the Provincial Housing Authority Peshawar for the Financial Year 2017-18, it was observed that the contract for construction of roads and sewerage systems at Jerma Housing Scheme Kohat was awarded to MS Siraj ul Haq. An up-to-date payment of Rs.28,950,180/- was made till the 8<sup>th</sup> Running Bill. Scrutiny of the 8<sup>th</sup> running bill revealed that sufficient earth was available for site excavation, which was not used and borrowed soil was used for formation of embankment. Not only had the loss occurred due to non-utilization of the available earth but additional expenditure incurred on the transportation of the available earth from the worksite. This resulted in loss of Rs.6,812,534/- (2,493,680 + 4,318,854). (As detailed below):

<b>Particulars</b>	<b>Qty</b>	<b>Rate</b>	<b>Amount (Rs.)</b>
Roadway excavation	10686 M <sup>3</sup>	196.77	2,102,822
Excavation in foundation	2175.14 M <sup>3</sup>	133.56	290,512
<b>Total payment for excavation</b>	<b>12861.14 M<sup>3</sup></b>		<b>2,393,334</b>
Transportation of excavated earth	8549.37 M <sup>3</sup>	291.68	<b>2,493,680</b>
Formation embankment from borrowed soil	30002.8 M <sup>3</sup>	404.16	<b>12,125,932</b>

The lapse occurred due to violation of rules and regulations.

When pointed out in July 2019, it was replied that efforts are underway for utilization of the available earth.

Audit requested the Department for holding DAC meeting vide letter dated 25-07-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 645 (2017-18)**

**10.4.3 Less recovery of interest earned on one year's investments- Rs.20.246 million**

According to the KPK Provincial Housing Authority Regulations 2008, Para 24 (b) (5) read with Para 27– Investments, “there shall be a Fund Account with scheduled banks for the receipts of income and profits from investments from various sources. The Special Committee of PHA shall approve the deposit of the surplus money with the scheduled banks for the specified period on the basis of competitive rates. The money on receipt to PHA shall be credited to the current account till decision of investment is taken by the Finance Committee”.

During audit of the Provincial Housing Authority Peshawar for the Financial Year 2017-18, it was observed that funds to the tune of Rs.1435.00 million were invested by the PHA with various banks after approval of the Technical Committee on a competitive interest rate basis. Further scrutiny of the investment record with the recovery of principal amount and interest earned on the maturity of investment revealed that the interest due was not recovered in full. This resulted in short recovery of accrued interest of Rs.20,246,452/-. (As detailed below):

(Rs.)

S. No	Principal Amount	Interest Rate	Interest Due	Interest Recovered	Short Recovered Interest
1	400,000,000	9.50%	38,000,000	29,631,474	8,368,526
2	271,000,000	6.60%	16,097,400	15,274,530	822,870
3	275,000,000	8.16%	22,440,000	17,343,694	5,096,306
4	267,000,000	8.00%	21,360,000	16,483,500	4,876,500
5	222,000,000	6.50%	12,987,000	11,904,750	1,082,250
<b>Total</b>	<b>1,435,000,000</b>		<b>110,884,400</b>	<b>90,637,948</b>	<b>20,246,452</b>

The lapse occurred due to violation of rules and regulations.

When pointed out in July 2019, it was replied that efforts are under way for further recovery.

Audit requested the Department for holding DAC meeting vide letter dated 25-07-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 638 (2017-18)**

#### **10.4.4 Less recovery of mobilization advance– Rs.25.398 million**

According to Clause 60.12 (a) & (b) of the contract agreement executed between the DG PHA and MS Raja Sabir Khan & Company for the construction of High Rise Flats at Phase-V, Hayatabad Peshawar; the contractor was entitled to interest-free mobilization advance up-to 15% of the contract price. The mobilization advance was to be paid as first installment within 14 days of the signing of the contract agreement and second part within 42 days from the date of payment of the first part. This advance shall be recovered in equal installments, the first installment at the expiry of the third month after the date of payment of first part of advance and the last installment two months before the date of completion of the work”

During audit of the Provincial Housing Authority Peshawar for the Financial Year 2017-18, it was observed that the contract for construction of High Rise Flats at Hayatabad Peshawar was awarded to MS Raja Sabir Khan & Company, vide work order dated 09-03-2015 with a completion period of 22 months. The contractor was paid mobilization advance of Rs.46,801,702/- in two installments. (As detailed below):

**(Rs.)**

<b>Particulars</b>	<b>Mob. Adv.</b>
1 <sup>st</sup> installment of M.Adv paid on 24.03.2015	23,400,851
2 <sup>nd</sup> installment of M.Adv paid on 30.03.2015	23,400,851
<b>Total</b>	<b>46,801,702</b>

Further Scrutiny of the record of mobilization advance recovery revealed that the mobilization advance of Rs.25,397,945/- which was due for recovery, was not recovered as per provisions of the contract agreement. (As detailed below):

**(Rs.)**

<b>Mob. Adv. Recovery Due</b>	<b>Due Date</b>	<b>Mob. Adv. Recovered</b>	<b>Mob. Adv. short recovered</b>
23,400,851	25.06.2015	8,259,123/- (1 <sup>st</sup> IPC)	
23,400,851	07.01.2017	8,259,123/- (3 <sup>rd</sup> IPC)	
		4,370,869/- (5 <sup>th</sup> IPC)	
		514,642/- (6 <sup>th</sup> IPC)	
<b>46,801,702</b>		<b>21,403,757</b>	<b>25,397,945</b>

The lapse occurred due to violation of rules and regulations.

When pointed out in July 2019, it was replied that efforts are under way for further recovery.

Audit requested the Department for holding DAC meeting vide letter dated 25-07-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 643 (2017-18)**

## Chapter – 11

### Industries, Commerce and Technical Education

#### 11.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Planning development and control of industries, including cottage industries.
- ❖ Industrial Research
- ❖ Industrial training (including training of demonstration parties).
- ❖ Industrial exhibition within the country.
- ❖ Survey of industries.
- ❖ Trade and commerce, within the Province, including Government commercial undertakings, Merchandise Marks Act, railway freight, import and export, trade control, capital issue, Insurance Act, Registration of Accountants, Auditors Certificate Rules, Partnership Act, trade condition reports, trade enquiries and agreements.
- ❖ All cases relating to Boilers Act, Patent and Designs Act, Explosive Act and Companies Act.
- ❖ Registration of Joint Stock Companies, Firms, Societies.
- ❖ Store Purchase Department, purchase of stores and capital goods including stores for Government Presses and Public Works Department.
- ❖ The Provincial Advisory Panels for Industries and Minerals.
- ❖ Chambers and Associations of Commerce and Industry.

#### Audit Profile of Industries Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	156	Nil	Nil	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc</li></ul> (Excluding FAP)	04	01	6.516	N/A
3	Authorities/Autonomous bodies etc under PAO	08	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	452.242	N/A

## 11.1 B) Comments on budget and accounts (variance analysis)

### Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2018-19 is given below:

#### Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
25-Industries	NC21	574,756,000	10	574,756,010	372,064,996	(202,691,014)
29-Technical Education and Man-power training	NC21	2,417,463,000	40	2,417,463,040	2,013,377,115	(404,085,925)
<b>Total</b>		<b>2,992,219,000</b>	<b>50</b>	<b>2,992,219,050</b>	<b>2,385,442,111</b>	<b>(606,776,939)</b>

#### Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
Industries	NC22	482,310,000	0	417,586,000	419,154,473	1,568,473
Industries	NC12	575,690,000	10	539,965,010	539,976,973	11,963
<b>Total</b>		<b>1,058,000,000</b>	<b>10</b>	<b>957,551,010</b>	<b>959,131,446</b>	<b>1,580,436</b>

#### Overview of expenditure against the final grant; (Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	2,992.22	2,385.44	(606.78)	(20.28)
Development	957.55	959.13	1.58	0.17
<b>Total</b>	<b>3,949.77</b>	<b>3,344.57</b>	<b>(605.20)</b>	<b>(15.32)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 15.32% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

## 11.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,416.349 million were raised in this report during the current audit of Industries Department. This amount also

includes recoveries of Rs.1,226.466 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

**Overview of Audit Observations;**

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	202,981,610
B	Procurement related irregularities	1,228,000
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	1,182,094,208
5	Others	30,046,096

**11.3 Brief comments on the status of compliance with PAC directives:-**

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	Industries	08	06	-	02
2	2003-04	-do-	01	01	-	-
3	2009-10	-do-	04	01	-	03
4	2014-15	-do-	07	05	-	02

## 11.4 Audit Paras

### 11.4.1 Non-recovery of outstanding dues -Rs.907.28 million

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

The agreement signed with the allottee also states that the allottee will pay the lump sum in advance at the time of allotment and shall also pay maintenance, water, and other charges as determined by the management from time to time.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that the Company Management failed to recover the outstanding amount of Rs. 907.28 million on account of maintenance, water and other recurring nature charges. The details of outstanding charges of various Estates of KPEZDMC are as under;

Industrial Estate Hattar	817.65 Million
Industrial Estate NowsheraMardan	36.250 Million
Industrial Estate GadoonAmazai	53.38 Million
<b>Total Outstanding</b>	<b>907.28 Million</b>

The lapse occurred due to the non-implementation of contract agreement and rules.

When pointed in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends recovery.

**AP No. 680 (2017-18)**

### 11.4.2 Non-recovery of outstanding dues - Rs.232.802 million

According to Clause 27 of the terms and conditions of the allotment of plot, applicant/ plot holder to KPEZDMC or the nominated body, in case of

delayed payment, such payments will attract a surcharge as determined by the body, and failure to make so over a period of 6 months, will result in cancellation on the allocation/ allotment/ lease (as the case may be) and repossession of the plot land.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that several plots were sold to different individuals/ firms in Hattar Economic Zone on the quarterly installment basis. However, in 46 cases, an amount of Rs. 232,802,000/- was found outstanding since long and the plot holders did not pay their installments which resulted in non-recovery of dues.

The lapse occurred due to non-implementation of contract agreement.

When pointed in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends recovery.

**AP No. 675 (2017-18)**

#### **11.4.3 Non-recovery on account of providing electricity facility at D.I. KHAN - Rs.16.4 million**

According to a decision on the Agenda Item No. 10 of the 11<sup>th</sup> Board of Directors Meeting held on 07-02-2017, the Board resolved that additional cost is approved subject to recovery from the industrialists. Management is required to submit the recovery plan.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that the Company Management obtained approval from the BOD for payment of Rs. 16.4 million, against the requested facility of 3 MWs of electricity at DI Khan Industrial Estate, with the condition that the amount paid will be recovered from the industrialists. However, no recovery has been started from the concerned industries till date of audit.

The lapse occurred due to weak internal controls and non-compliance of the BOD decisions.

When pointed in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends recovery of the government revenue without further loss of time.

**AP No. 682 (2017-18)**

#### **11.4.4 Non-recovery on account of salaries - Rs.8.840 million**

The Chief Executive officer of the Co. terminated service of the Mr. Ateeq Sultan Raja on the pleas for provision of fake documents at the time of appointments and directed to return all salaries paid to him

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that the Company Management appointed Mr. Atique Sultan Raja as Manager Human Resources vide letter dated 24-10-2016 with a monthly salary of Rs. 350,000/- along with other fringe benefits. The Chief Executive Officer (CEO) of the Company terminated services of the said official vide order dated 03-12-2018 on the plea for provision of fake documents at the time of his appointment. Moreover, he was directed to return all salaries paid to him, detailed below;

24 October 2016 to 31-10-2016	350000/31*8	Rs. 90,323/-
01-11-2016 to 31-12-2016	350000*2	Rs.700,000/-
01-01-2017 to 31-12-2017	350000*12	Rs. 4,200,000/-
01-01-2018 to 30-11-2018	350000*11	Rs. 3,850,000/-
<b>Total</b>		<b>Rs. 8,840,323/-</b>

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed in June 2019, it was stated that detailed reply will be given after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends recovery.

**AP No. 674 (2017-18)**

#### **11.4.5 Non-recovery of public vehicles - Rs.5.00 million**

According to Clause 11.7 of the Human Resource Policy, the employee will be required to return all articles/ documents, material issued by the Company including identity card, office keys, manuals, security card, etc. before his final settlement is made.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that vehicles bearing Registration No. BD 4817 Model 2016 Toyota Corolla Altis 1.6 and No. 6412 Model 2017 Toyota Corolla GLI were allotted to Ex-Chief Financial Officer (CFO) and Ex-Manager Finance respectively. The officers were terminated from services in August and October 2017, but the public vehicles were not recovered from them till date of audit, (total period in months= 21).

The lapse occurred due to non-implementation of HR Policy and weak internal controls.

When pointed out in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019, however no DAC meeting was convened till the finalization of this Report.

Audit recommends recovery.

**AP No. 678 (2017-18)**

#### **11.4.6 Overpayment on account of office rent – Rs.3.726 million**

According to Rent Assessment Certificate issued by the Executive Engineer C&W Building Division-II Peshawar dated 27-11-2017, the building was assessed for Rs.450,942/- per month.

During audit of the Khyber Pakhtunkhwa Board of Investment and Trade Peshawar for the Financial Year 2017-18 it was observed that an amount of Rs. 4,568,700/- was paid to Ms. Shabnam Khanzada (house owner) vide Cheque No.24769921 dated 26-03-2018, on account of monthly rent of office building for the period 01-01-2018 to 30-06-2018 @ Rs.761,450/- per month, resulting into an overpayment of Rs.3,726,096/- (761450 – 450942 – 310508 x 12).

The lapse occurred due to non-adherence to the C&W assessment certificate.

When pointed out in May 2019, the Department stated that detailed reply will be given after consulting the relevant record.

In the DAC meeting held on 28-10-2019, it was decided that the government dues be recovered or regularized from the competent forum.

Audit recommends implementing the DAC decision.

**AP No.661 (2017-18)**

#### **11.4.7 Over-payment to the contractor - Rs.1.228 million**

According to the technical internal committee report, the site of work was second time visited dated 10-03-2018 of the project titled, “ Block provision for TEVTA for improvement of Technical Education in Khyber Pakhtunkhwa executed by C&W Department”.

During audit of the Khyber Pakhtunkhwa Technical Education and Vocational Training Authority (KP-TEVTA) Peshawar for the Financial Year 2017-18, it was observed that the contractor was paid for the total quantity of single layer of tiles 10 x 5" 1.25" laid over 4" earth and 1" mud plaster on top of R.C.C Roof of Government College of technology Peshawar for 4373.06sft @ Rs. 836.94/- for Rs. 2561963/- instead of actual quantity measured by the inspection committee i.e. 2276.27sft @ Rs.836.94 which resulted into overpayment of Rs. 1.228 Million on account of extra quantity 2096.79 sft to the contractor

The lapse occurred due to weak internal control and mismanagement.

When pointed out in January 2019 the department stated that detailed reply will be submitted on receipt of management report.

In the DAC meeting held on 18.07.2019 it was decided that complete recovery be made within one month time.

Audit recommends implementing the DAC decision.

**AP 466 (2017-18)**

**11.4.8 Unauthorized payment on account of leave encashment - Rs. 45.578 million**

According to Clause 7.3 of the Human Resource Policy, encashment of leave balance while leaving the company for whatever reason except gross misconduct will be permissible. At the time of settlement, leave encashment will be treated in the following manner:

Up to 3 years' service	Maximum Encashment 48 days
Over 3 years' service	Maximum Encashment 60 days

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that an amount of Rs. 41.811 million in the Financial Year 2017-18 and Rs. 3.768 million in 2016-17, aggregating to 45.578 million, were paid to the existing staff of KPEZDMC on account of leave encashment in violation of the HR Policy.

The lapse occurred due to the non-implementation of HR policy and weak internal controls.

When pointed in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends recovery.

**AP No.676 (2017-18)**

#### **11.4.9 Un-authorized granting of 5% discount on account of sale of plots - Rs.26.32 million**

According to the 6<sup>th</sup> BOD Meeting held on 08-12-2015, the offer price for Hattar Economic Zones shall be PKR 7.4 million per acre less the early bird discount of 25% (net offer price of PKR 5.6 million). The discount shall be offered in accordance with incentives to be approved by the Provincial Government.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that the Company Management has sold out 22 number of plots in Hattar Economic Zone @ 5,600,000/- per acre and collected an amount of Rs. 399,371,000/- after allowing 5% additional discount, in addition to the early bird discount of 25%. The grant of an additional discount of 5% amounting to Rs. 26,320,000/- ( $5,600,000 \times 5\% \times 94$ ) was granted by the CEO on the lump sum payment of plot, instead of installments, without the approval of the Government. The discount, therefore, resulted in a loss to the Company which needs justification or recovery.

The lapse occurred due to not following the BOD directives.

When pointed in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 677 (2017-18)**

#### **11.4.10 Unauthorized occupation of government accommodation - Rs.5.612 million**

According to rule-8 of Government of Khyber Pakhtunkhwa S&GAD Estate office notification dated 30-01-1980, the DDO shall be personally responsible for deduction of house rent from the pay of officer/officials plus 5% of the basic pay as repaired as maintenance cost.

During audit of the Khyber Pakhtunkhwa Technical Education and Vocational Training Authority (KP-TEVTA) Peshawar for the Financial Year 2017-18, it was observed that 2 Nos officers bungalows and 10 Nos officials quarters were illegally occupied by the Pakistan Air Force (PAF) officers/officials in Government technical Vocational Centre at Abbotabad and Haripur, but house rent plus 5% deduction were not recovered from them which resulted into loss to government amounting to Rs. 5.612 million. (As detailed below):

(Rs.)

S.No.	No. of Bungalow/quarters	HR	No's	Period7/2017 to 12/2018	Amount
1	2	47,709	2	20 Months	1,908,360
2	10	17183	10	20 months	34,36,600
3	Sub total	5,344,960/-	-	-	5,344,960
	Plus rent allowance				267,248
	<b>Total</b>				<b>5,612,208</b>

The representative of the department stated that this office has time and again asked Pakistan Air Force (PAF) officers to deposit the amount in treasury and also vacate the official/designated accommodation for principal and staff, but no action has so far been taken, which resulted into loss of Rs. 5.612 million.

The lapse occurred due to weak internal controls.

When pointed out in 2019, the department stated that that detailed reply will be submitted on receipt of management report.

In the DAC meeting held on 18.07.2019, it was directed to mark the Para for verification of complete record of allotment and recovery from the officers/official concerned. However, no progress was shown till the finalization of this report.

Audit recommends implementing the DAC decision.

**AP 472 (2017-18)**

#### **11.4.11 Unauthorized payment on account of salaries - Rs 5.023million**

According to the Government of Pakistan Cabinet Secretariat (Establishment Division) letter dated April 17 2017, the officer was under obligation to seek prior permission from his parent organization i.e.

Competition Commission of Pakistan and the Establishment Division before seeking any employment in Pakistan.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that the Company Management appointed Mr. Salman Masood as Manager Legal and Commercial vide letter dated 13-01-2017 with a monthly salary of Rs. 450,000/ along with other fringe benefits. The officer tendered resignation from service on 09-11-2017, due to some personal reasons and had drawn Rs. 5,023,287/-. (As detailed below):

Salary of January 2017	450000/31*19	Rs. 275,807/-
Salary from 01-02-2017 to 31-10-2017	450000*9	Rs. 4,050,000/-
Annual leave encashment 33 days		Rs. 495,000/-
Daily allowance		Rs. 7,500/-
Traveling allowance		Rs. 10,800/-
Mobile expenses		Rs. 22,000/-
POL expenses		Rs. 84,808/-
Medical expenses		Rs. 77,372/-
<b>Total</b>		<b>Rs. 5,023,287/-</b>

It is worth mentioning here that Mr. Salman Masood was a BS-19 officer of Competition Commission of Pakistan and was posted as Officer on Special Duty OSD in the Establishment Division for the purpose of salary with effect from 8<sup>th</sup> April 2016 till further orders vide Establishment Division Notification dated 29<sup>th</sup> September 2016.

On further verification of record, it was observed that Audit Manager KPEZDMC vide letter dated 24-11-2016 conveyed serious reservations to the administration about his irrelevant experience, and being a government officer, his application should have been moved through proper channel, which was not considered and the appointment was made illegally.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends investigating the matter and fixing responsibility on person(s) at fault.

**AP No. 673 (2017-18)**

#### **11.4.12 Irregular appointment of staff by the company management**

According to Para 1.7 of the HR Policy Manual, the aptitude test will be conducted for hiring of the Executives and Officers to test the intellectual abilities of the applicants. The test will be conducted in-house or by testing agencies such as NTS, ETEA or PTS, etc. as approved by the Competent Authority, in a time-restricted environment either at the Company premises or at a test center. Furthermore, Article 62 (II) of the Memorandum of Association, the CEO shall be responsible to prescribe duties of all employees and staff of the Company.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that fresh recruitments of 327 staff on different positions were made by the management of KPEZDMC without conducting any aptitude test to check the intellectual abilities of the applicants, as required under the HR Policy Manual. Audit observed major shortcomings/ deficiencies in the recruitment process, out of a sample selected for detailed scrutiny.

The Company, being financed by the Provincial Government and working under the administrative control of the Secretary Industry, was bound to adopt and follow the recruitment policy of the Provincial Government, in the best public interest and keeping transparency in the whole process, which is the main goal of the present day government. Even the Company failed in the last four years to develop and approve its own HR Policy, although a sufficient number of administrative staff was recruited for the purpose.

The recruitment of staff is made every year in violation of government rules.

The lapse occurred due to non-observance of the required H.R policy.

When pointed in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 683 (2017-18)**

#### **11.4.13 Wasteful expenditure on account of salaries - Rs.138.540 million**

The services of 345 employees who were working in the CM Secretariat were transferred to the SDA Peshawar.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that an expenditure of Rs. 138.540 million was incurred on payment of salaries to the following staff members of KPEZDMC, working in the Chief Minister Secretariat Peshawar, since 2016. However, the services of all these officials were transferred to the SDA Office Peshawar, without any pre-determined goals/duties. When asked, it was stated that these employees were hired and engaged in the Office of the CM Secretariat, to facilitate the Office of KPEZDMC in arranging various types of meetings. (As detailed below):

<b>Designation</b>	<b>Total no of post</b>	<b>Monthly salary</b>	<b>Period from 01-01-16 to 30-06-18</b>	<b>Total amount</b>
Assistant Manager Energy& Power	01	180,000	30 months	5,400,000
Energy& Power Officer	12	135,000	30 months	48,600,000
Senior Executive Energy & Power	02	80,000	30 months	4,800,000
Energy Executive	02	55,000	30 months	3,300,000
Energy & Power Executive	05	50,000	30 months	7,500,000
Management trainee	06	25,000	30 months	4,500,000
Drivers	03	18,000	30 months	1,620,000
IT Executive	01	50,000	30 months	1,500,000
Senior Executive Administration	01	80,000	30 months	2,400,000
Administration Executive	01	60,000	30 months	1,800,000
Office Attendant	04	18,000	30 months	2,160,000
Chief Strategy and Business Planning	01	1,052,000	30 months	31,560,000
Manager Strategy and Business Planning	02	275,000	30 months	16,500,000
Strategy and Business Planning Officer	01	80,000	30 months	2,400,000
Strategy and Business Planning Executive	02	50,000	30 months	3,000,000
Research and Planning Executive	01	50,000	30 months	1,500,000
<b>Total</b>	<b>45</b>		<b>Total</b>	<b>138,540,000</b>

Audit held that huge public money was spent just for a trivial activity. The CM Secretariat has its own regular staff for arranging all types of meetings and other official activities.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends investigating the matter and taking appropriate action.

**AP No. 706 (2017-18)**

**11.4.14 Wasteful expenditure on account of purchase of generator - Rs.20.00 million**

According to BoD procurement committee meeting held on 17 & 18 July 2017 “temporary electrification of HEZ Phase VII will be made by providing the connection to the nearest vicinity of the industry and the cost will be recovered from the consumers/users”.

During audit of the Khyber Pakhtunkhwa Economic Zones Development & Management Company Peshawar for the Financial Year 2017-18, it was observed that payment of Rs. 17.125 million was made vide Cheque No. 31416042 dated 28-02-2018, to M/S Greaves Pakistan (Pvt.) Ltd. on account of supply of 2 SDMO Generators V500 KVA and Rs 2.873 million vide Cheque No. 31739700 dated 22-03-2018, to Pakistan Cable for providing cables for the electrification of Hattar Phase 7.

The purchase of generators was approved in the BOD Procurement Committee held on 17<sup>th</sup> and 18<sup>th</sup> July 2017 on the following grounds.

1. Temporary electrification of HEZ Phase 7 will be made by providing the connection to the nearest vicinity of the industry and the cost will be recovered from the consumers/users.
2. A payment of Rs. 224 million has already been made to the PESCO for 132 /11 KVA Grid Station, but the pace with which PESCO is

working, the timeline may not be met, therefore, this temporary arrangement was necessary.

On further verification of record, it was observed that the generator has not been installed/ commissioned till date of audit; therefore, audit held that the expenditure of Rs. 20 million was waste of fund for the object which was not materialized for an unfeasible and uneconomic project.

The lapse occurred due to weak internal controls.

When pointed in June 2019, it was stated that detailed reply will be furnished after consulting the concerned section of the Company.

The Company was requested for holding DAC meeting vide letter dated 20/08/2019. However, no DAC meeting was convened till the finalization of this Report.

Audit recommends investigating the matter and fixing responsibility on the person(s) at fault.

**AP No. 681 (2017-18)**

## Chapter – 12

### Irrigation Department

#### 12.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Implementation of irrigation policies
- ❖ Maintenance of irrigation channels
- ❖ Construction of small dams
- ❖ Maintenance of small dams

#### Audit Profile of Irrigation Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	115	03	300.032	N/A
2	<ul style="list-style-type: none"> <li>• Assignment Account</li> <li>• SDA</li> <li>• Etc</li> </ul> (Excluding FAP)	36	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	23,266.887	N/A

#### 12.1 B) Comments on budget and accounts (variance analysis)

##### Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2018-19 against the total of grants/appropriation was as follows:

##### Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
24-Irrigation	NC21	4,088,504,000	343,776,000	4,432,280,000	4,140,843,614	(291,436,386)
<b>Total</b>		<b>4,088,504,000</b>	<b>343,776,000</b>	<b>4,432,280,000</b>	<b>4,140,843,614</b>	<b>(291,436,386)</b>

**Development; (Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supplementary Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
55- Construction of irrigation works	NC12	5,937,000,000	2,688,018,000	8,625,018,000	8,600,312,958	(24,705,042)
<b>Total</b>		<b>5,937,000,000</b>	<b>2,688,018,000</b>	<b>8,625,018,000</b>	<b>8,600,312,958</b>	<b>(24,705,042)</b>

**Overview of expenditure against the final grant; (Rs. in million)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)	Variance %
Non-Development	4,432.28	4,140.84	(291.44)	(6.58)
Development	8,625.02	8,600.31	(24.71)	(0.29)
<b>Total</b>	<b>13,057.30</b>	<b>12,741.16</b>	<b>(316.14)</b>	<b>(2.42)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 2.42% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

**12.2 Classified Summary of Audit Observations**

Audit observations amounting to Rs. 478.857 million were raised in this report during the current audit of Irrigation Department. This amount also includes recoveries of Rs. 134.151 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

**Overview of Audit Observations;**

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	1,606,000
3	Irregularities	
A	HR/Employees related irregularities	1,347,000
B	Procurement related irregularities	130,736,000
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	345,168,000
5	Others	-

**12.3 Brief comments on the status of compliance with PAC directives:-**

<b>SNo</b>	<b>Audit Year</b>	<b>Name of Department</b>	<b>Total No. of actionable points</b>	<b>Full compliance</b>	<b>Partial compliance</b>	<b>Nil compliance</b>
01	2001-02	Irrigation	31	13	-	18
02	2002-03	-do-	17	07	-	10
03	2003-04	-do-	07	05	-	02
04	2004-05	-do-	40	18	-	22
05	2005-06	-do-	07	02	-	05
06	2007-08	-do-	09	03	-	06
07	2008-09	-do-	08	05	-	03
08	2009-10	-do-	09	06	-	03
09	2010-11	-do-	14	11	-	03
10	2011-12	-do-	18	06	-	12
11	2012-13	-do-	10	07	-	03
12	2013-14	-do-	14	10	-	04
13	2014-15	-do-	07	03	-	04

## **12.4 Audit Paras**

### **12.4.1 Loss to government due to non-recovery of Sales Tax/ Service Charges- Rs. 74.676 million**

According to S.No.31 of Circular NO.01 of 2017 vide Government of Khyber Pakhtunkhwa Revenue Authority KPRA letter dated 07.02.2018, contracting services rendered or provided by the contractors of building, electricity, mechanical works, turnkey projects and similar other works, excluding construction project having value not exceeding Rs.50 million construction of industrial estates and zones, consular building and construction work under international tenders, fifteen percent (15%) may be deducted.

During audit of the Executive Engineer Tube Wells Irrigation Division Peshawar for the Financial Year 2017-18, it was observed that a sum of Rs.497.987 million was incurred under various ADPs on account of Installation of Solar Systems and Tube Wells. An amount of Rs.74.676 million as 15% Sales Tax was required to have been deducted from the contractors' bills, which was not done, resulting in a loss of Rs. 74.676 million to the Government.

The lapse occurred due to non-adherence to rules and regulations.

When pointed out in August 2018, the department stated that detailed reply will be furnished after consulting the original record.

Audit requested the department for holding DAC meeting vide letter dated 10-10-2018. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No.386 (2017-18)**

### **12.4.2 Loss due to non/less-recovery of Service Sale Tax- Rs.8.445 million**

According to KPRA Taxable Services as per Second Schedule to the Khyber Pakhtunkhwa Finance Act 2013 (as on March 2016), 15% Services Sales Tax is applicable to Engineering Consultants Services, as are laid down in Sr. No.29 of the Taxable Services.

During audit of the Executive Engineer Peshawar Canal Division Peshawar for the Financial Year 2017-18, it was observed that a sum of

Rs.56.387 million was paid to various consultants, but Service Sales Tax @ 15% was not recovered, which resulted in a loss of Rs.8.445 million. (As detailed below):

(Rs.)

S #	Name of Consultant	Total Payment	Tax Deducted	Tax Not Deducted
1	G-3 Consultant Engineering	1,725,1081	685,984	2,580,802
2	SAK Consultant	21,440,479	139,839	3,214,673
3	SAK Consultant	9,817,056	312,368	1,469,434
4.	Bak& Ages consultant	538,2842	92,276	806,503
5.	NES PAK	2,495,641	74,870	373,597
<b>Total</b>		<b>56,387,099</b>	<b>1,305,337</b>	<b>8,445,009</b>

The lapse occurred due to violation of KP Finance Act, 2013.

When pointed out in January 2019, the department replied that recovery will be made.

Audit requested the department for holding DAC meeting vide letter dated 28-02-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No.449 (2017-18)**

#### **12.4.3 Loss to government due to ignoring the lowest rate- Rs.3.280 million**

According to rule 14 of the procurement of Goods Works & Services rule 2014, the bid found to be lowest evaluated bid shall be accepted.

During audit of the Executive Engineer Irrigation Division Tube-Wells Peshawar for the Financial Year 2017-18, it was observed that contracts were awarded to M/S MAK Pumps Co Pvt. Ltd. Peshawar and M/S HMA for installation of Solar/ Tube-wells along with machinery in various districts. Further scrutiny of record revealed that the contracts were awarded for the same nature works, same specifications, within the same territory through mutually different rates. As per approved comparative statement, some packages were awarded to higher bidders and the lower rates were ignored without any cogent reasons, accommodating the remaining in other works, which was unjustified and thus resulted in a loss of Rs.3.280 million.

The lapse occurred due to non-adherence to rules and regulations.

When pointed in August 2018, the department stated that detailed reply will be furnished after consulting the original record.

Audit requested the department for holding DAC meeting vide letter dated 10-10-2018. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery, investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 393 (2017-18)**

#### **12.4.4 Non-recovery of 1% stamp duty- Rs.4.415 million**

According to the Government of KP Revenue and Estate Department letter dated 1.6.2010, 1% stamp duty may be recovered from the contractors. The Excise and Taxation Department letter dated 5<sup>th</sup> May 2006, revised from time to time, all contractors supplying goods shall pay profession tax at the prescribed rates.

During audit of the Executive Engineer Irrigation Division Tube-Wells Peshawar for the Financial Year 2017-18, it was observed that a sum of Rs. 441.540 million was drawn under various ADP packages for installation of Tube Wells, Solar Systems and Repair & Maintenance of Tube Wells and shown paid to various contractors. Stamp duty @1% amounting to Rs.4.415 million was required to have been deducted from the contractors' bills, which was not done, resulting in a loss of Rs.4.415 million.

The lapse occurred due to non-adherence to rules and regulations.

When pointed out in August 2018, the department stated that detailed reply will be furnished after consulting the original record.

Audit requested the department for holding DAC meeting vide letter dated 10-10-2018. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No.387 (2017-18)**

#### **12.4.5 Non-recovery of embezzled amount- Rs.1.606 million**

According to Para 5.2.3.1 of the Accounting Policies and Procedure Manual (APPM), The Principal Accounting Officers of those entities responsible for administering revenue collections (such as tax authorities) must ensure that all sums due to the Government are promptly realised, banked and credited to the Consolidated Fund.

During audit of the Executive Engineer Peshawar Canals Division Peshawar for the Financial Year 2018-19, it was observed that an amount of Rs. 1.606 million was embezzled on account of water charges by Abdul Hakim S/O Abdul Latif, Canal Patwari. The department lodged a FIR against the said officer/ official vide No. 02 dated 16-01-2015. Further scrutiny of record revealed that the matter had already been taken-up by Anti Corruption Department. The Special Judge Anti Corruption decided in case No. 59 of 2015 on 18.6.2016 to recover the embezzled amount of Rs. 1.606 million. However, no recovery was made by the department till the date of audit.

The lapse occurred due to weak internal controls.

When pointed in October 2019, the department stated that detailed reply will be furnished after scrutiny of the record.

Audit requested the department for holding DAC meeting vide letter dated 12-12-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 28 (2018-19)**

#### **12.4.6 Overpayment to contractor due to incorrect calculation - Rs. 1.809 million**

Para-209 (d) of CPWA code provides that all payments for work or supplies are based on the quantities recorded in the measurement book; it is incumbent upon the person taking the measurement to record the quantities clearly and accurately. Para-208, 209(d), 220 & 221 of CPWA code provides that payments for all works should be made based on measurements recorded in the measurement book.

During audit of the Executive Engineer Peshawar Canals Division Peshawar for the Financial Year 2018-19, it was observed that a sum of Rs.

203.445 million was paid to M/S Khyber Grace Pvt. Ltd for an item of work (Borrow pit excavation undressed lead up-to 50 m in ordinary soil dressing, leveling earth to design section up to cut or fill 6"compaction of earth with power road roller 85% max modified AASHTO dry density with extra lead of 5 KM) for a qty of 244985.35 m<sup>3</sup> @ Rs. 830.44/m<sup>3</sup> in the work "Construction of protection structure on R/S of Kabul river U/S & D/S Nowshera-Mardan road bridge District Nowshera" vide voucher dated 03.6.2019.

Audit held that an overpayment of Rs. 1.809 million was made to the contractor because as per IPC-14 the consultant verified the measurement as 6078.02 m<sup>3</sup> for the above item of work; however payment of 8256.83 m<sup>3</sup> was made to the contractor (8256.83-6078.02 x 830.44). This resulted in overpayment of Rs. 1.809 million.

The lapse occurred due to extending undue favor to the contractor at the cost of the government.

When pointed in October 2019, the department replied that the consultant wrongly deducted the said quantity, which was adjusted in the current bill.

Audit requested the department for holding DAC meeting vide letter dated 12-12-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 29 (2018-19)**

#### **12.4.7 Un-authorized drawl of Conveyance and House Rent Allowance worth -Rs 1.347 million**

According to Finance Department O.M No.F.1/(i) imp:i/77 dated 28.4.1977, no conveyance allowance be allowed to those incumbents who are provided government residential accommodation within the office/college premises.

During audit of the XEN Irrigation Division No. 1 Swabi for the Financial Year 2018-19, it was observed that various staff members of the local office were provided government accommodation in the office premises, but they were also allowed conveyance and house rent allowance amounting to Rs.1.347 million, for which they were not entitled. This resulted in an

unauthorized drawl of Conveyance and House Rent Allowance amounting to Rs. 1.347 million during FY 2016-19.

The lapse occurred due to non-observance of the government rules & regulations.

When pointed in October 2019, the department replied that deduction of house rent from the salary of the officials, from the date of occupancy, are made, while the conveyance allowance could not be deducted as the officials have their duty stations in the field and are not attached to the work related to the office. Further, the colony and the office are in separate premises as such the conveyance allowance cannot be deducted from the officials.

Audit requested the department for holding DAC meeting vide letter dated 12-12-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 01 (2018-19)**

#### **12.4.8 Non-deduction of Income Tax- Rs.48.365 million**

As per Finance Act 2017 and Commissioner Income Tax letter dated 11.7.2017, Income Tax @ Rs.7.5% may be deducted at the time of payment.

During audit of the Executive Engineer Irrigation Division Tube-Wells Peshawar for the Financial Year 2017-18, it was observed that Income Tax amounting to Rs.48.365 million @ Rs.7.5% was required to have been deducted from the contractor's bills at the time of payments for digging of Tube-wells, Installation of Solar Systems along-with Submersible Machines. However, scrutiny of contractor's bills revealed that Income Tax was ignored without any justification/ cogent reasons or production of bills of entries in case of imported items in the name of the Department (if any). Moreover, Income Tax was also not deducted on digging of tube-wells/submersible pumps, which resulted in a loss of Rs.48.365 million to the public exchequer.

The lapse occurred due to non-adherence to rules and regulations.

When pointed in August 2018, the department stated that detailed reply will be furnished after consulting the original record.

Audit requested the department for holding DAC meeting vide letter dated 10-10-2018. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery besides investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.389 (2017-18)**

#### **12.4.9 Wasteful expenditure due to executing sub-standard work-Rs.319.728 million**

According to Para 23 of GFR Vol-I, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the government through fraud or negligence on his part or the part of his subordinate.

During audit of the Executive Engineer Peshawar Canal Division Peshawar for the Financial Year 2017-18, it was observed that the contractor M/S Fazl-e-Karm& Co. of the scheme Providing Railing/Fencing of Canals passing through Peshawar city, was paid Rs.319,728,853/- vide voucher No.48/KRC dated 16-4-2018. The audit team, during the physical visit to the site along with the Sub-Engineer of the Department, observed that the work was defective, substandard and ill-executed on the following grounds;

1. The material used in the PCC 1:3:6 was sub-standard, as evident from the heavy cracks.
2. Sub-standard Kerb stones were with large cracks from ground and the railing sides were clearly visible for which payment amounting to Rs.8,248,560/- was made to the contractor.
3. There was no need for Kerb stones, if the PCC 1:2:6 was properly executed. If Kerb stones formwork was used as the one executed on the Ring Road, huge savings would have been made. In certain locations, the stones were visible in inches heights. When inquired about justification for execution of the said stones, it was replied that the same were used for beautification purpose, which was not the case.
4. The PCC 1:2:4 amounting to Rs.9,293,280/- was claimed in the bill but not executed.

5. The cost of material in farm work was 72%. It should have been recovered as it was impossible to execute the whole work from Regi on both canals at the same time.

The lapse occurred due to weak internal controls.

When pointed out in January 2019, the department replied that the case will be probed.

Audit requested the department for holding DAC meeting vide letter dated 28-02-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.448 (2017-18)**

**12.4.10 Excess payment due to non-utilization of available earth-Rs.23.631 million**

According to item of 105.3 of General Specification of NHA 1998 clearly states that all the material removed from the excavation shall be used in the formation of embankment, sub grade, shoulder and at such other places as directed, unless it is declared unsuitable and ordered to waste by Engineer.

During audit of the Executive Engineer Peshawar Canal Division Peshawar for the Financial Year 2017-18, it was observed that the contractor M/S Khyber Grace Pvt. Ltd. of the scheme Construction of Protection Structure on R/Side of Kabul River U/S and D/S Nowshera-Mardan Road Bridge District Nowshera was paid Rs.1038.575 million vide voucher No.8/KRC dated 20.02.2018. Further scrutiny of record revealed that an item of work "Borrow pit excavation undressed lead up to 50 meter in ordinary soil" was paid for a quantity of 193,753.26 M<sup>3</sup> at a rate of Rs.830.44 PM<sup>3</sup>, despite of the fact that sufficient quantity of excavated material of 99,920.30 M<sup>3</sup> was available on site, out of which only 71,416.78 M<sup>3</sup> was utilized and the remaining quantity of 28,503.5 M<sup>3</sup> was shown un-utilized. (As detailed below);

S.No.	Description	Rate	QTY
1.	Material available at side	214.54	99920
2.	Material used	145.15	71416
<b>Net material available at site</b>			<b>28,504</b>

Therefore, by not utilizing the available earth, an overpayment of Rs.23.671 million was made. (As detailed below);

<b>Description</b>	<b>Rate</b>	<b>Qty</b>	<b>Amount (Rs.)</b>
Borrow pit excavation paid	830.44	193,753	160,900,241
Available material	145.15	28,504	
Net Borrow Qty required	830.44	165,249	137,229,379
<b>Overpayment</b>			<b>23,670,862</b>

When pointed out in January 2019, the department replied that record will be consulted and recovery if any will be made.

Audit requested the department for holding DAC meeting vide letter dated 28-02-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No.453(2017-18)**

## Chapter 13

### Mines & Mineral Development Department

#### 13.1A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of :

- ❖ Geological Survey
- ❖ Development of Mineral resources and regulation of mines
- ❖ Mineral Rules
- ❖ Grant and transfer of prospecting licenses and mining leases
- ❖ Import, purchase, distribution and price fixation of coal and coke.

#### Audit Profile of Mines & Minerals Development Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	42	01	16.742	N/A
2	<ul style="list-style-type: none"> <li>• Assignment Account</li> <li>• SDA</li> <li>• Etc</li> </ul> (Excluding FAP)	04	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

#### 13.1B) Comments on budget & accounts (variance analysis)

##### Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2018-19 against the total of grants/appropriation was as follows:

#### Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
26-Mineral Development	NC21	946,792,000	20	946,792,020	685,317,318	(261,474,702)
<b>Total</b>		<b>946,792,000</b>	<b>20</b>	<b>946,792,020</b>	<b>685,317,318</b>	<b>(261,474,702)</b>

**Development;****(Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Mines and Minerals	NC22	392,576,000	0	142,758,000	142,760,367	2,367
50-Mines and Minerals	NC12	8,424,000	0	1,713,000	1,713,021	21
<b>Total</b>		<b>401,000,000</b>	<b>0</b>	<b>144,471,000</b>	<b>144,473,388</b>	<b>2,388</b>

**Overview of expenditure against the final grant****(Rs. in million)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	946.79	685.32	(261.47)	(27.62)
Development	144.47	144.47	0.00	0.00
<b>Total</b>	<b>1,091.26</b>	<b>829.79</b>	<b>(261.47)</b>	<b>(23.96)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 23.96% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

**13.2 Classified Summary of Audit Observations**

Audit observations amounting to Rs. 5,775.000 million were raised in this report during the current audit of Mines and Minerals Development Department. This amount also includes recoveries of Rs. 2,936.396 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

**Overview of Audit Observations;**

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	796,429,000
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	4,591,759,000
5	Others	386,851,000

**13.3 Brief comments on the status of compliance with PAC directives:-**

SNo	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
Nil	Nil	Mines & Minerals	Nil	Nil	Nil	Nil

## **13.4 Audit Paras**

### **13.4.1 Embezzlement of government dues - Rs.16.600 million**

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

During audit of the Director General Mines & Mineral Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that a sum of Rs. 16,600,695/- was embezzled in Mardan Regional Office by Mr. Aizaz Ali Shah, a private person who was introduced by Mr. Sher Ayaz Khan, Assistant Director Mardan, without any permission from the higher-ups. The accused got the confidence of the leaseholders of the Division and started receiving government dues from the lease holders. Instead of depositing it in the proper head of account in the public treasury through the NBP, he embezzled the amount and used fake stamps/challans of the NBP and the Regional Office Mardan and thus the government was put to a loss of Rs. 16.600 million. Later on, an enquiry was conducted, wherein it was observed that the leaseholders are ready to deposit the outstanding government dues into the Government Treasury.

Audit could not confirm as to whether the embezzled amount was re-deposited by the leaseholders or not. Reconciliation with the Treasury Office Mardan was not produced to Audit.

The lapse occurred due to weak internal controls.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letters dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery of all outstanding dues from the lease holders.

**AP No.49 (2017-18)**

### 13.4.2 Loss due to illegal mining in block a,b,c & d- Rs.1525.183 million approx

According to the Assistant Director Mineral Development Abbottabad letter dated 17.11.2017 addressed to Deputy Commissioner and District Police Officer Haripur regarding stoppage of illegal mining in Gawari minor mineral Block A,B,C & D.

During audit of the Assistant Director Mineral Development Abbottabad for the Financial Year 2017-18, it was observed that minor mineral leases were granted to various personnel. However, the former lessee of Block-A & B M/S Jamshid Ali S/O Khan Pervez r/o District Nowshera was provided an opportunity of the illegal mining in Gawari Haripur minor mineral Block A,B,C & D, resulting in a loss of Rs. 1525.183 million approximately. (As detailed below):

S#	Block in Acres	Bid amount Rs	Broken Period	Month	Total loss sustained Rs.	
1	Block-(321.24 Acre)	50,000,000	1-6/2018	6	50,000,000	50,000,000
2	Block-B (251.67 Acre)	200,000,000	1-5/2018	5	200,000,000/6*5	166,666,666
3	Block-C (250.00 Acre)	300,100,000	7-12/2018	6	300,100,000	300,100,000
		8,000,000	1-6/2018	6	8,000,000	8,000,000
4	Block-D (348.17 Acre)	1,200,500,000	1-5/2018	5	1,200,500,000/6*5	1,000,416,666
<b>Total</b>	<b>1171.08</b>					<b>1,525,183,332</b>

The lapse occurred due to weak internal controls.

When pointed out in October 2018, the Management stated that detailed reply will be submitted after consulting the relevant record.

The management was requested vide No.Audit/DAC/Mineral/2017-18/871 dated 23.10.2018 for arranging of DAC meeting. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery, besides investigating the matter to fix responsibility against the person(s) at fault.

**AP No.34 (2017-18)**

### 13.4.3 Loss to the government due to non-recovery of royalty from the work contractors of small dams - Rs.427.321 million

According to the summary approved by the Chief Minister KP dully circulated by the Section Officer-II, Chief Minister's Secretariat KP dated. 10.12.2014, the Honorable Chief Minister directed the Irrigation Department to pay the estimated cost of Minor Minerals to the Mineral Department through contractors, since all mineral belongs to the Provincial Government as per provisions of Section 49 of the Land Revenue Act 1967.

During audit of the Director General Mines & Mineral Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that in Khyber Pakhtunkhwa 10 small dams have been constructed by Irrigation Department. The work contractors of these small dams illegally excavated the minor mineral and were utilized in the construction of the said dams. The Mineral Department carried out an assessment of illegal mining for recovery against the contractors of dams. The matter was moved on a summary to the Chief Minister KP, for approval and the same was approved for recovery against the dam's contractors as per the assessment report of the Mineral Department KP. But neither the assessed amount was recovered/deposited in government treasury nor was the same waived-off to any contractor. Hence, the orders of the Honorable Chief Minister were set aside and the amount was not recovered till date of audit. (As detailed below):

S.No	Name of Dams	Assessment value (outstanding Govt. dues) (Rs.)
1.	Zamir Gul Dam Kohat	2,098,543
2.	Darmalak Dam Kohat	110,546,174
3.	Jalozai Small Dam Nowshera	9,022,309
4.	Kundal Dam Swabi	, 144,706,422
5.	Kayala Small Dam Abbottabad	18,455,728
6.	Jhangra Small Abbottabad	20,760,859
7.	GudwalianSmal Dam Haripur	17,825,119
8.	Gul Dheri Small Dam Nowshera	51,326,478
9.	Ghole Banda Dam Karak	33,373,437
10.	Mardan Khel Dam Karak	19,206,573
<b>Total</b>		<b>427,321,645</b>

The lapse occurred due to weak internal controls and non-adherence to the rules and directives of the Chief Minister KP.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery of all outstanding dues from the lease holders.

**AP No.48 (2017-18)**

#### **13.4.4 Loss to the public exchequer due to less deposit of royalty collected departmentally - Rs.266.175 million**

According to Para 5.2.2.1 of the Accounting Policies and Procedure Manual (APPM), all monies received as revenue of the Government, must be banked in the name of the Government without delay and included in the Consolidated Fund of the respective Federal or Provincial Government.

During audit of the Director-General Mines & Mineral Khyber Pakhtunkhwa for the Financial Year 2017-18, it was observed that royalty collection of Kohat Division (Kohat and Karak Districts) was done departmentally and a sum of Rs. 57,300,000/- was collected on account of royalty. Comparison of the production report of Kohat Division i.e. Kohat and Karak Districts, shown extraction/mining of various minerals, against which a sum of Rs. 323,745,980/- was recoverable as royalty as per production report.

Thus a sum of Rs. 266,175/-(323,745,980-57,300,000) was departmentally less collected, on account of royalty collected against the actual production of minerals.

The less deposit of royalty against the actual extraction of mines is a serious lapse on part of the administration and shows the negligence of the Head Quarter Office, for taking no action against the Regional Office Kohat.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery of all outstanding dues from the lease holders.

**AP No.47(2017-18)**

**13.4.5 Loss to the government on account of under-reporting/concealment of mineral production- Rs.88.012 million**

According to Mineral Sector Governance Act 2017, Section 48, under-reporting of mineral production (1) if it is discovered that the holder of a mineral title has under-reported mineral production, the Licensing Authority shall charge royalty up to 10 times the notified rate, on the quantity of mineral under- reported, forfeit the security deposit and performance guarantee and may also cancel the mineral title on the merits of the case; provided that no action under this section shall be taken without giving an opportunity of hearing to the holder of mineral title; and (2) An entry in the record of the holder of the mineral title shall be made regarding under-reporting.

During audit of the Project “Assessment Study & Establishment of Mines Monitoring & Surveillance Units in Mineral-bearing Areas of KP” for the Financial Year 2017-18, it was observed that the below mentioned leaseholders were involved in massive under-reporting of mineral production, causing concealment and evasion of royalty of the government. (As detailed below):

Name	File No.	Assessed tonnage	Production shown in tonnage	Diff. in tonnage	Assessed Amount (tonnage X pith mouth value)	Royalty to be charged
Jehangir	MDW/MR/PL-Limestone (301) 2007	126180	48721	77459	77459 X 70= 5,422,130	54,221,300
M/S Pahar Committee	MDW/MR/ML-Limestone (94)/2006 near SawalDher, Distt. Mardan	297438	249165	48273	48273 X 70= 3,379,110	33,791,100
<b>Total</b>						<b>88,012,400</b>

Assessment of under-reporting of mineral production was carried by the monitoring team of the project and reported to the government (Mineral Development Department KP) for recovery of the royalty. However, no action has been taken in these cases to recover assessed royalty concealed/evaded. A number of cases that have been reported by the monitoring team of the project and to date no action was taken by the government till date of audit.

The lapse occurred due to non-adherence to Section 48 of the Mineral Governance Act, 2017.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery of all outstanding dues from the lease holders.

**AP No.44 (2017-18)**

**13.4.6 Loss to the government due to non-recovery of royalty, annual rent and fine - Rs.66.069 million**

According to KP Mineral Sector Governance Act 2017, Section (68 & 71), royalty in respect of any mineral or group of minerals won, mined or found and disposed off, shall be payable not later than seven days after the end of the calendar month in which the mineral or group of mineral is disposed off. Moreover, payment of annual rent in respect of a mining lease shall be made within 30 days after the date of grant of mining lease and thereafter shall be made on the same date of each year. Where any lessee failed to pay any amount of financial rent, a fine amounting to Rs.10,000/- per month shall be imposed for non-payment of the outstanding amount or any part thereof, until all outstanding amount is paid.

During audit of the Director General Mines & Minerals Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that the Regional Office Bannu failed in recovering royalty, annual rent and fine from leaseholder in its jurisdiction. (As detailed below):

(Rs.)

S.No.	Royalty amount	Illegal mining assessment	Annual rent	Other (fine etc)	Total outstanding govt. dues
01	433,750	37,990,000	16,461,900	11,184,320	66,069,970

The lapse occurred due to violation of Khyber Pakhtunkhwa MSG Act, 2017.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery of all outstanding dues from the lease holders.

**AP No.42 (2017-18)**

**13.4.7 Loss to the government due to willful delay in processing and awarding of royalty collection contract of Hazara division - Rs.50.204 million**

According to Para 8.2.3.2 of the Accounting Policies and Procedure Manual (APPM), Government employees shall also be held personally responsible for any loss or deficiency arising from theft, robbery, fraud or negligence on the part of any other government officer, to the extent to which it may be shown that the officer concerned contributed to the loss or deficiency by his/her own action or negligence.

During audit of the Director General Mines & Minerals Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that NIT sealed tender was invited for the collection of royalty contracts for Hazara Division for the period w.e.f 01.09.2017 to 30.06.2018 (10 months). The highest bid price of Rs. 125,511,000/- offered by Iftikhar Ali Shah against the reserve price of Rs. 124,191,390/- was approved by the auction committee dated 10.08.2017. The work order to the contractor was issued on 22.12.2017, after a lapse of 03 months and 12 days and the period of collection of royalty was reduced to 06 months w.e.f 01.01.2018 to 30.06.2018, hence the bid price was proportionately reduced to Rs. 75,306,600/-. The government was put to a loss of Rs. 50,204,400/-(125,511,000-75,306,600) only because of late arranging of the meeting of the Mineral Title Committee dated 11.12.2017.

It was further observed that during the period w.e.f 01.09.2017 to 31.12.2017, it was not known that who collected the royalty of the Hazara Division and what amount was collected and deposited in the public treasury.

The lapse occurred due to weak internal controls.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery.

**AP No.46 (2017-18)**

#### **13.4.8 Loss to the public exchequer due to less deposit of royalty collected departmentally - Rs.20.860 million**

According to Para 5.2.2.1 of the Accounting Policies and Procedure Manual (APPM), All monies received as revenue of the Government, must be banked in the name of the Government without delay and included in the Consolidated Fund of the respective Federal or Provincial Government.

During audit of the Director General Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that royalty collection of the Mardan Division (Swabi & Mardan Districts) was made departmentally and a sum of Rs. 51,791,966/- was collected as royalty. Comparison of the production report of the Mardan Division i.e. Mardan and Swabi Districts, shown extraction/mining of various minerals against which a sum of Rs.72,652,030/- was recoverable on account of royalty as per production report, copy annexed. Thus, a sum of Rs.20,860,064/-(72,652,030 - 51,791,966) was less deposited in the government treasury on account of royalty collected departmentally against the actual production of minerals.

The less deposit of royalty against the actual extraction of mines is a serious lapse on the part of the administration and shows negligence of the Head Quarter Office for taking no action against the Regional Office Mardan.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery of the royalty as per the production report.

**AP No.52 (2017-18)**

#### **13.4.9 Loss to government due to un-authorized use of Vigo Champ Vehicle - Rs. 3.504 million**

According to PC-I, five regional offices will be established for under the Project “Monitoring & Surveillance” and will be provided vehicles for monitoring activities.

During audit of the Project “Assessment Study & Establishment of Mines Monitoring & Surveillance Units in Mineral-bearing Areas of KP” for the Financial Year 2017-18, it was observed that 5 No.s of Vigo Champs vehicles were purchased for monitoring activities of the 5 regional office from the Indus Motors @ Rs. 3,504,700 each totaling Rs. 17,523,500 and paid vide cheque No. 305501 dated 20.01.2016. The inventory register of the project revealed that the Vigo Champs vehicles were not distributed as per PC-I and the vehicles were distributed. (As detailed below):

<b>S.No.</b>	<b>Vehicle no.</b>	<b>To whom issued</b>
1	AA-4481	Minister Mineral Development Department
2	AA-4480	Secretary Mineral Development Department
3	AA-4884	Project Director
4	AA-4883	Deputy Director Monitoring Atd.
5	AA-4882	Engine ceased and parked in the work shop.

One Vehicle bearing No. AA-4882 costing Rs. 3,504,700/- was previously issued to the Minister MDD, where its engine was ceased under the un-authorized use and which is now replaced with another Vehicle bearing No. AA-4481. Till date of audit i.e June 2019, the Vehicle could not be repaired and its value was deteriorating day by day.

Audit held that the luxury vehicles purchased were not utilized in project activities and were remained under the personal use of the Minister and the Secretary MDD, in addition to their entitlement. The provision of vehicles to the Minister and Secretary is the responsibility of the Administration Department.

The lapse occurred due to violation of provisions of PC-I.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery of the vehicles along with the cost needed for repair of AA-4882, besides fixing responsibility against the person(s) involved in allowing the vehicles for un-authorized use.

**AP No.56 (2017-18)**

**13.4.10 Loss to the government due to non-recovery of outstanding dues against FWO & NLC - RS.2.395 million**

According to KP Mineral Sector Governance Act, Section 56 Sub-Section (1,2,3&4), if any person, directly or indirectly, starts prospecting exploring or mining any mineral outside the area granted to him under mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operation by a holder of mining title, he shall be punishable with imprisonment for a term of minimum of six months which may extend up to three years or a minimum fine of five hundred thousand which may extend up to two million or with both. The licensing authority shall have the power to stop unauthorized work in such manner as if may deem fit and recover in addition to the penalty, the pit-mouth value of the mineral so excavated from the person responsible for such un-authorized work.

During audit of the Director General Mines & Mineral Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that evaluation/assessment of claims on account of unauthorized mining/transportation of minor/major minerals against Frontier Works Organization & National Logistic Company were carried out by the Regional Offices Mardan, Nowshera, Malakand and D.I.Khan amounting to Rs. 2,394,722,007/-. (As detailed below):

(Rs.)

Name of the Party	Assessment Carried out by the office	Date till the assessment	Total assessed amount
M/S Frontier Works Organization	Regional Office Mardan	05.10.2018	1520,673,495
-do-	Regional Office Nowshera	12.10.2018	261,220,973
-do-	Regional Office Malakand	28.03.2019	281,510,681
M/S National Logistic Company	Regional Office D.I.Khan	31.03.2019	331,316,858
<b>TOTAL</b>			<b>2,394,722,007</b>

The lapse occurred due to violation of Khyber Pakhtunkhwa MSG Act. 2017.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No.41 (2017-18)**

#### **13.4.11 Loss to government due to non-recovery of annual rent and fine - Rs.1.26 million**

According to KP Mineral Sector Governance Act 2017, Section (68 & 71), the royalty in respect of any mineral or group of minerals won, mined or found and disposed off shall be payable not later than seven days after the end of the calendar month in which the mineral or group of mineral is disposed off. Moreover, payment of annual rent in respect of a mining lease shall be made within 30 days after the date of grant of mining lease and thereafter shall be made on the same date of each year. Where any lessee fails to pay any amount of financial rent, a fine amounting to Rs.10000 per month shall be imposed for non-payment of outstanding amount or any part thereof, until all outstanding amount is paid.

During audit of the Director General Mines & Mineral Khyber Pakhtunkhwa Peshawar for the Financial Year 2017-18, it was observed that the appeal of M/S Khan Khel Mining Co. for the restoration of the mining

lease and renewal for a period of 30 years was rejected by the appellant authority i.e Secretary MDD. MTC, in its meeting held on 04.02.2018, canceled the mining lease vide agenda item No. 16 on account of the failure of the party to apply for further renewal in time as per section- 17 of MSG Act 2017. In the judgment on the appeal before the Secretary MDD KP, it was decided to deposit the outstanding amount of annual rent for Rs. 420,000/-w.e.f 11/2009 to 11/2016 with a fine of Rs.10000 per month, hence a total fine of Rs. 840000(7 years X 12=84 months X 10000). Thus the total outstanding government dues and fine was calculated as Rs. 1,260,000/-(420000+840000).

Non-deposit of annual rent and fine is the failure of the Directorate in performance of official duties.

The lapse occurred due to violation of the Khyber Pakhtunkhwa MSG Act 2017.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No.50 (2017-18)**

#### **13.4.12 Non-follow up/recovery of unauthorized mining cases involving revenue -Rs.516.513 million**

According to KP Mineral Sector Governance Act, Section 56 Sub-Section (1,2, 3 &4), if any person, directly or indirectly, starts prospecting exploring or mining any mineral outside the area granted to him under mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operation by a holder of mining title , he shall be punishable with imprisonment for a term of minimum of six months which may extend up to three years or a fine minimum five hundred thousand which may extend up to two million or with both. The licensing authority shall have the power to stop unauthorized work in such manner as if may deem fit and recover in addition to the penalty, the pit-mouth

value of the mineral so excavated from the person responsible for such unauthorized work.

During audit of the Project “Assessment Study & Establishment of Mines Monitoring & Surveillance Units in Mineral bearing Area of KP” for the Financial Year 2017-18, it was observed that unauthorized mining was under-taken in Malakand and Southern Districts against which Murasalas were chalked out and detailed assessment was done by an officer of the Monitoring Project and report submitted to the concerned Assistant Director Technical, Mineral Development Department KP, for recovery of the assessed amount on account of unauthorized mining, valuing Rs. 516,513,059/- by the culprit in the area. But no recovery was made for the damages to the public property occurred due to unauthorized mining/excavation and transportation of major and minor mineral. (As detailed below):

<b>Name of District</b>	<b>Mineral type</b>	<b>Assessed amount (Rs)</b>
Shangla	Minor mineral	88,790,771
Chitral	Lime stone	2,869,659
Dir upper	Lime stone, granite	9,249,966
Bunir	Lime stone	4,022,489
Dir Lower	Granite, lime stone etc	55,707,457
Malakand	Lime stone, major mineral	129,295,589
Swat	Granite, marble, lime stone	19,829,070
Dera Ismail khan	Lime stone, fire clay etc	67,901,270
Kohat	Major mineral	50,687,610
LakkiMarwat	Minor mineral	42,947,864
Karak	Lime stone	45,211,314
<b>Total</b>		<b>516,513,059</b>

The lapse occurred due to violation of Khyber Pakhtunkhwa MSG Act 2017.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No.51 (2017-18)**

### 13.4.13 Non follow-up of unauthorized mining cases involving revenue of Rs.383.343 million

According to KP Mineral Sector Governance Act, Section 56 Sub-Section (1, 2, 3 & 4), if any person, directly or indirectly, starts prospecting exploring or mining any mineral outside the area granted to him under mineral title or in any area for which he has not obtained a mineral title or unauthorized transportation of minerals or if any person obstructs free access of a holder of a mineral title to the licensed or leased area or directly or indirectly tries to interfere with the prospecting or mining operation by a holder of mining title, he shall be punishable with imprisonment for a term of minimum of six months which may extend up to three years or a minimum fine of five hundred thousand which may extend up to two million or with both. The licensing authority shall have the power to stop unauthorized work in such manner as if may deem fit and recover in addition to the penalty, the pit-mouth value of the mineral so excavated from the person responsible for such un-authorized work.

During audit of the Project “Assessment Study & Establishment of Mines Monitoring & Surveillance Units in Mineral bearing Area of KP” for the Financial Year 2017-18, it was observed that un-authorized mining was under-taken in Peshawar, Charsadda, Mardan, Swabi and Nowshera Districts, against which Murasalas were chalked out and detailed assessment was made by the officer of the monitoring project and reported to the concerned Assistant Director Technical Mineral Development KP, for recovery of assessed amount on account of unauthorized mining valuing Rs. 383,343,501/- by the culprit in the area. But no recovery was made for the damages that occurred to the public property by doing unauthorized mining/excavation and transportation of major and minor mineral. (As detailed below):

Name of District	Mineral type	Assessment amount (Rs)
Peshawar	Shingal	41,391,573
Nowshera	Minor Mineral	6,349,904
Swabi	Minor Mineral	16,577,277
Charsadda	Minor Mineal	15,487,884
Mardan	Lime stone, Marble	39,762,853
Abbottabad	Lime stone, Minor Mineral	39,743,450
Haripur	Minor Mineral, Dolomite	100,750,360
Battagram	Granite	51,293,200
Manshra	Dolmitic Limestone, Minor Mineral	71,987,000
<b>Total</b>		<b>383,343,501</b>

The lapse occurred due to violation of the Mineral Sector Governance Act 2017.

When pointed out in June 2019, the department stated that detailed reply will be furnished after consultation with the concerned section.

Audit requested the department for holding DAC meeting vide letter dated 27-08-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery of all outstanding dues from the lease holders.

**AP No.43 (2017-18)**

**13.4.14 Un-authentic receipt/ non-deposit of monthly royalty etc. in government treasury - Rs.15.269 million**

According to Section-66 of the khyber Pakhtunkhwa Mines and Minerals Development and Regulation Ordinance 2016, royalty and duty in respect of any mineral or group of minerals won, mined or found and disposed of shall be payable not later than seven days after the end of the calendar month in which the mineral or group of minerals is disposed off.

During audit of the Assistant Director Mineral Development Abbottabad for the Financial Year 2017-18, it was observed that royalty on production of clay, etc. was shown deposited through challans but on comparison and verification, it was disclosed that the deposited amounts were not reflected in the receipt statements duly signed by the District Controller of Accounts Abbottabad and Haripur, hence misappropriation of public receipts could not be ruled out, resulting in non-deposit of the monthly royalty and other dues in the Government Treasury.

The lapse occurred due to weak internal and managerial controls.

When pointed out in October 2018, the Management stated that detailed reply will be submitted after consulting the relevant record.

The management was requested vide dated 23.10.2018 for arranging of DAC meeting. However, no DAC meeting was convened till finalization of this Report.

Audit recommends recovery, besides investigating the matter to fix responsibility against the person(s) at fault.

**AP No.30 (2017-18)**

## Chapter – 14

### Planning & Development Department

#### 14.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Planning development and control of industries, including cottage industries.
- ❖ Industrial Research
- ❖ Industrial training (including training of demonstration parties).
- ❖ Industrial exhibition within the country.
- ❖ Survey of industries.
- ❖ Trade and commerce, within the Province, including Government commercial undertakings, Merchandise Marks Act, railway freight, import and export, trade control, capital issue, Insurance Act, Registration of Accountants, Auditors Certificate Rules, Partnership Act, trade condition reports, trade enquiries and agreements.
- ❖ All cases relating to Boilers Act, Patent and Designs Act, Explosive Act and Companies Act.
- ❖ Registration of Joint Stock Companies, Firms, Societies.
- ❖ Store Purchase Department, purchase of stores and capital goods including stores for Government Presses and Public Works Department.
- ❖ The Provincial Advisory Panels for Industries and Minerals.
- ❖ Chambers and Associations of Commerce and Industry.

#### Audit Profile of Planning & Development Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	16	01	276.61	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc</li></ul> (Excluding FAP)	18	06	149.346	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	02	01	1,670.799	N/A

#### 14.1 B) Comments on budget and accounts (variance analysis)

##### Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2018-19 is given below:

##### Non-Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
04-Planning and Development and Bureau of Statistics	NC21	601,309,000	40	601,309,040	411,574,444	(189,734,596)
<b>Total</b>		<b>601,309,000</b>	<b>40</b>	<b>601,309,040</b>	<b>411,574,444</b>	<b>(189,734,596)</b>

##### Development; (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
51-Rural and Urban Development	NC12 & NC 22	16,505,000,000	10	16,505,000,010	14,226,765,339	(2,278,234,671)
<b>Total</b>		<b>16,505,000,000</b>	<b>10</b>	<b>16,505,000,010</b>	<b>14,226,765,339</b>	<b>(2,278,234,671)</b>

##### Overview of expenditure against the final grant; (Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	601.31	411.57	(189.73)	(31.55)
Development	16,505.00	14,226.77	(2,278.23)	(13.80)
<b>Total</b>	<b>17,106.31</b>	<b>14,638.34</b>	<b>(2,467.97)</b>	<b>(14.43)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 14.43% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

## 14.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 31.972 million were raised in this report during the current audit of Planning & Development Department. This amount also includes recoveries of Rs. 13.410 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

### Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	5,928,000
3	Irregularities	
A	HR/Employees related irregularities	25,092,000
B	Procurement related irregularities	952,223
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	-

### 14.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2001-02	Planning & Development	08	06	-	02
2.	2003-04	-do-	04	03	-	01
3.	2004-05	-do-	08	02	-	06
4.	2007-08	-do-	05	01	-	04
5.	2008-09	-do-	08	05	-	03
6.	2011-12	-do-	10	05	-	05
7.	2012-13	-do-	24	11	-	13
8.	2013-14	-do-	02	01	-	01
9.	2014-15	-do-	03	01	-	02

## 14.4. Audit Paras

### 14.4.1 I. Irregular/ doubtful expenditure without adopting open tender system - Rs.5.928 million

#### II. Loss due to non/ less-deduction of income tax, DPR and sales tax on services-Rs.0.95 million

According to Section 1 of Chapter II of the Public Procurement Rules 2014, Open Tender System shall be adopted for procurement of Rs.100,000 or more read with Peshawar High Court judgment in writ petition No. 4091-P/2016, that all the departments shall take care of the healthy competition between different entities, supplying material and would not make it practice nor precedent to deprive other competitors in the process of supply of items.

During audit of the Secretary Planning & Development Department Peshawar for the Financial Year 2018-19, it was observed that payment of Rs.5,928,560/- was made on account of the room rent of trainees for the scheme titled “National Multiple Indicator Cluster Survey Khyber Pakhtunkhwa” to Luxury Palace Guest House without adopting open tender system to get economical rates in the best interest of public. Further verification of record revealed that the number of occupied rooms in the enclosed list was more than 100 rooms, whereas guest house had a capacity of 20 to 25 rooms .The reservation of 100 rooms for 201 trainees in the same period was doubtful.

Moreover, an amount of Rs4,922,800/- was paid to M/S Afridi Rent A-Car from the scheme fund but the following taxes were not deducted resulted in loss of Rs 952,223/-.(As detailed below):

(Rs)						
S. No	Name of firms/service provider	Payment made	Income tax 4.5%	DPR Rs 2000/- per Million	Sales tax on Services	Total
1.	Luxury Palace Guest House	5,928,560	266,785	10,000	889,284	1,166,069
2.	M/S Afridi Rent A-Car	4,922,800	221,526	9,800	738,420	969,746
<b>Total</b>		<b>10,851,360</b>				<b>2,135,815</b>
Taxes deducted from bill 1 & 2 (above)		Bill No-01= Rs 592,856/- Bill No-02= Rs 590,736/- = Rs 1,183,592/-				1,183,592
<b>Less Deduction</b>						<b>952,223</b>

The lapse occurred due to non-observance of rules/regulations.

When pointed out in December 2019, the department stated that detailed reply will be furnished later on.

Audit requested the department for holding DAC meeting vide letter dated 27/11/2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 5 (2018-19)**

#### **14.4.2 Irregular/ un-authorized payment – Rs 25.092 million**

According to the Planning & Development Department letter dated 15-07-1998 clarified by the Finance Department vide Notification No-SO. (A/Cs) FD/2-3/98 dated 31-07-1998 regarding the declaration of Drawing & Disbursing Officer (DDO), that an officer appointed on contract basis cannot be appointed as Drawing & Disbursing Officer (DDO) as he is neither a civil servant nor carries gazette status.

During audit of the Secretary Planning & Development Department Peshawar for the Financial Year 2018-19, it was observed that a sum of Rs 25.092 million was drawn by the DDO appointed on fixed pay, thus the drawl was held irregular and unauthorized. Further verification of the record revealed that Muhammad Murad Khan Accounts Officer of the scheme titled “Development of Regional GDP/Economic Indicators Bureau of Statistics” was declared as DDO vide Notification No-652-62/Reg-GDP/BOS/Assigmt-Acctt/1-1/2015 dated 16-11-2016, but the said officer was a contract employee on fixed pay. The payment so made by the DDO was irregular and unauthorized. Furthermore, the payment was made from the assignment account of which the officer was a co-signatory.

The lapse occurred due to non-observance of rules/regulations.

When pointed out in December 2018, the department stated that detailed reply will be furnished later on.

Audit requested the department for holding DAC meeting vide letter dated 27/11/2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 2 (2018-19)**

## Chapter – 15

### Energy & Power

#### 15.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ All relevant matters under Articles 154, 157, 158 & 161 of the Constitution and framing policies for the Province in their respect.
- ❖ Grant and revocation of licenses to the private electric undertaking, certificates of competency to electrical supervisors and licenses to electric contractors under the Electricity Act, 1910.
- ❖ Levy and collection of electricity duty under West Pakistan Finance Act, 1964.
- ❖ Monitoring of tariff of PESCO vis-à-vis other DISCOs for regulation of tariff.
- ❖ Administration of Pakhtunkhwa Energy Development Organization Act.
- ❖ All matters pertaining and auxiliary to hydel power stations of WAPDA or any other public/private sector agency located in KPK.
- ❖ Advising the Provincial Government on thermal, solar, wind, coal, nuclear, solar and any other kind of energy and power generation.
- ❖ Close coordination with the Federal Govt. in respect of grant of licenses for oil and gas exploration in KPK and cooperation with such companies and organizations undertaking such ventures in KPK.
- ❖ Matters relating to extension of gas by SNGPL in KPK.
- ❖ Matters relating to tariff on gas/CNG/petroleum products, royalty on gas and oil, gas development surcharge.
- ❖ Planning, designing and erection of Power generation units and supply of electricity load to the province as per its requirement.
- ❖ Representation of the Province on the boards of Directors of PESCO and other DISCOs in view of hydro electricity as major contributor to, and source of, energy.
- ❖ Formulate, regulate and review Provincial Power Policy.
- ❖ Investigation into fatal and non-fatal accidents due to electrocution.

**Audit Profile of Energy & Power Department;**

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	07	Nil	Nil	N/A
2	<ul style="list-style-type: none"> <li>• Assignment Account</li> <li>• SDA</li> <li>• Etc</li> </ul> (Excluding FAP)	01	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	02	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	85.546	N/A

**15.1 B) Comments on budget and accounts (variance analysis)**

**Summary of the Appropriation Accounts:**

A summary of grants/appropriations and actual expenditure in financial year 2018-19 is given below:

**Non-Development; (Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
44-Energy and Power	NC21	141,362,000	390	141,362,390	95,205,980	(46,156,410)
<b>Total</b>		<b>141,362,000</b>	<b>390</b>	<b>141,362,390</b>	<b>95,205,980</b>	<b>(46,156,410)</b>

**Development; (Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
59- Energy and Power	NC12	3,800,300,000	0	142,951,000	54,790,797	(88,160,203)
<b>Total</b>		<b>3,800,300,000</b>	<b>0</b>	<b>142,951,000</b>	<b>54,790,797</b>	<b>(88,160,203)</b>

**Overview of expenditure against the final grant; (Rs. in million)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	141.36	95.21	(46.16)	(32.65)
Development	142.95	54.79	(88.16)	(61.67)
<b>Total</b>	<b>284.31</b>	<b>150.00</b>	<b>(134.32)</b>	<b>(47.24)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 47.24% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

**15.2 Classified Summary of Audit Observations**

Audit observations amounting to Rs. 5,855.869 million were raised in this report during the current audit of Energy & Power Department. This amount also includes recoveries of Rs. 247.556 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

**Overview of Audit Observations;**

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	2,559,939
B	Procurement related irregularities	359,126,805
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	5,461,903,839
5	Others	32,278,969

**15.3 Brief comments on the status of compliance with PAC directives:-**

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2009-10	Energy & Power	05	04	-	01
2.	2010-11	-do-	02	-	-	02
3.	2011-12	-do-	09	06	-	03
4.	2012-13	-do-	01	01	-	-
5.	2013-14	-do-	01	01	-	-
6.	2014-15	-do-	13	05	-	08

## **15.4 Audit Paras**

### **15.4.1 Non-recovery of liquidated damages from the contractors- Rs.128.944 million**

According to sub-clause 27.1 of the contract agreement executed with different NGOs for the completion of 356 Mini/ Micro Hydro Power Projects in 10 districts of KP, failure of the contractor to meet the Time for Completion entitles the Employer to deduct from the Contractor Price, the liquidated damages @ 0.05% percent of the Price of individual project delayed as quoted in the financial bids submitted by the contractor excluding Provisional Sums for each day, including holidays, of delay or part thereof, but to a maximum limit of 5% of the Price of individual project(s) delayed as quoted in the financial bids submitted by the contractor excluding Provisional Sums.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the Financial Year 2017-18, it was observed that the 3<sup>rd</sup> revised PC-I for the the 356 Mini/ Micro Hydro Power Projects in Northern Districts of KP amounting to Rs. 5501.66 million was approved by PDWP in its meeting held on 29-09-2017. The planned completion date for construction was June 2018 followed by one-year Defect Liability Period (DLP) i.e. up to June 2019. However, the project could not be completed within the stipulated time. Therefore, liquidated damages under the subject clause of contract agreement amounting to Rs. 128,944,360/- was required to be recovered from contractors for their inefficiency to complete the projects on time.

The lapse occurred due to weak internal controls.

When pointed out in April 2019, the department stated that detailed reply will be furnished later on.

Audit requested the department for holding DAC meeting vide letters dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends recovery.

**AP No. 624 (2017-18)**

#### **15.4.2 Non-recovery on account of electricity charges- Rs. 30.857 million**

According to National Electric Power Regulatory Authority (NEPRA) letter dated 06-12-2010, the approved levelized tariff for Pehur HPP was @ Rs. 4.7195/KWH.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) Peshawar for the Financial Year 2017-18, it was observed that in Machi Hydro Power Project (MHPP) 2.6 MW, a total of 4,883,248 units of electricity were produced and exported since November 2016 till June 2018, but revenue on this behalf was not received by the Organization, because no proper contract agreement was made with the concerned authorities, resulting into an amount of almost Rs. 23,046,488/- (4883248x4.7195) being outstanding (taking a rate of Pehur HPP i.e. Rs.4.7195 per unit).

Similarly, in SHISHI Hydro Power Project (SHPP), a total of 3,451,027 units of electricity were produced and exported to PESCO from July 2017 till June 2018 for a total amount of Rs. 10,353,081/- against which only an amount of Rs. 2,541,600/- was received leaving a balance of Rs.7,811,481/- as outstanding till date of audit.

The lapse occurred due to weak internal controls.

When pointed out in April 2019, the department stated that the Energy Purchase Agreement (EPA) of Machi HPP is under process with PESCO and soon it will be finalized. The said amount will be recovered after signing of the EPA with PESCO.

Audit requested the department for holding DAC meeting vide letter dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery.

**AP No. 611 (2017-18)**

#### **15.4.3 Non-recovery on account of electricity charges- Rs. 1.421 billion**

According to the National Electric Power Regulatory Authority (NEPRA) letter dated 06-12-2010, the approved levelized tariff was @ Rs. 4.7195/KWH.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the Financial Year 2017-18, it was observed that in the Pehur Hydro Power Project (PHPP) a total of 399,468,960 KWH units were exported to PESCO at the rate of Rs. 1 per KWH, against which an amount of Rs. 319.364 million was received and the balance amount of Rs. 80.104 million was outstanding against PESCO.

A meeting regarding tariff issues of PHPP was held on 20-02-2010 with the PESCO management, wherein it was decided that mutually agreed tariff will be Rs. 3 per KWH, after the Commercial Operation Date (COD), when the plant undergoes a commercial operation. However, the pre COD tariff should be Rs. 1 per KWH (plus the effect of inflation over the last year).

Further verification of record revealed that the NEPRA approved rate of electric energy was Rs. 4.7195 per KWH, but the revenue received was Rs. 1 per KWH. The revenue of the energy exported to PESCO at the approved rate of tariff of Rs. 4.7195 per KWH was Rs. 1.802 billion, so an amount of Rs. 1.421 billion was still outstanding against PESCO.

Audit held that neither the approved tariff of NEPRA nor the rate of Rs.3 per KWH as agreed between PESCO and PEDO was applied, resulting in less realization of money.

The lapse occurred due to violation of rules and regulations.

When pointed out in April 2019, the department stated that since operation of the powerhouse, the Organization is receiving revenue at the rate of Rs. 1 per unit, as such arrears of Rs. 1.421 billion has been accumulated against PESCO, which will be materialized after signing of the PPA/ EPA.

Audit requested the department for holding DAC meeting vide letter dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery.

**AP No. 618 (2017-18)**

#### **15.4.4 Overpayment on account of hiring of security services- Rs. 2.55 million**

According to the work order issued to the M/S Sarhad Security Services (Pvt.) Limited vide letter dated 05-01-2017 for hiring of 12 Security Guards, the rate of Security Guards per month is Rs. 16800/-.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO for the Financial Year 2017-18, it was observed that Mr. Anwar Khan and Mr. Jamdad Khan, Security Guards were hired on a personal basis for which no hiring record was available. They were paid @ Rs. 45000/- and Rs. 40000/- per month respectively and were deployed as Security Guards with Chief Executive Officer (CEO) and Director HR respectively. The total payment on this account made up to 30-06-2018 was Rs. 3,769,539/-. Further verification of record revealed that 12 Security Guards were hired, from M/S Sarhad Security Services (Pvt.) Limited vide letter dated 05-01-2017. Audit held that in presence of these 12 hired Security Guards, additional 2 Security Guards recruited @ Rs. 450000/- and Rs. 40000/- was unjustified resulting in an overpayment of Rs. 2,559,939/-

In case the said security guards were hired @ Rs. 16,800/- per month (the rate at which the already existing guards were hired), the amount paid to them for the 36 months would have been Rs. 1,209,600/- (16,800\*2\*36), whereas actual payment made was Rs. 3,769,539/-, resulting in difference of Rs. 2,559,939/-.

The lapse occurred due to weak internal controls and financial mismanagement.

When pointed out in April 2019, the department stated that the posts of security guards were approved posts and the guards were hired as per PEDO rules and later on deputed as per the requirements of the Organization.

Audit requested the department for holding DAC meeting vide letters dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No.588 (2017-18)**

#### **15.4.5 Unauthorized payment on account of security charges- Rs.192 million**

According to clause 14.2 of the contract agreement, the contractor shall follow all the applicable regulations regarding safety on the site. Unless otherwise agreed, the contractor shall, from the commencement of work on-site until taking-over provide,

- A. Fencing, lighting, guarding and watching of the works and
- B. Temporary roadways, footways, guards, and fences which may be necessary for the accommodation and protection of owners and occupiers of adjacent property, the public and others.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the Financial Year 2017-18, it was observed that an amount of Rs.54,000,000/- vide Cheque No. 97816020 dated 13-02-2018 and Rs.103,026,175/- vide Cheque No. 97816024 dated 27-03-2018, for the period 18-08-2015 to 31-12-2017, was paid to the DPO Dir Lower, for arrangement of security (Police) to the under consideration Koto HPP. Similarly, an amount of Rs. 35,798,503/- was paid by the PD Gorkin Matalan to DPO Chitral, vide CDR No.11781601 dated 01-08-2017, on account of security charges at the site.

Audit held that it was the responsibility of the contractors to pay for the watch-and-ward at sites as per the requirement of the agreement, but in the instant cases, all such payments were made by the project management.

The lapse occurred due to violation of the contract agreement.

When pointed out in April 2019, the department stated that detailed reply will be furnished later on.

Audit requested the department for holding DAC meeting vide letter dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends investigating the matter and fixing responsibility against person(s) at fault

**AP No. 634 (2017-18)**

#### 15.4.6 Unauthorized payment to the consultant- Rs. 51.87 million

According to clause 2 of TORs (Appendix-A), the consultants will work with MD PHYDO or his authorized representative and shall provide an overview/ oversee, identification, selection of feasible hydel potential site, coordination with the local community to form COS, engineering and construction supervision of selected hydel potential sites. These services shall provide project support beginning with the selection of feasible hydel potential sites till final commissioning of the projects.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the Financial Year 2017-18, it was observed that M/S Consulting Associates Peshawar was selected and awarded the consultancy contract of the 356 Mini Macro Hydropower projects in Northern Districts of KP for Rs.68.880 million on 23-03-2014 for a period of 18 months. Further verification of record revealed that consultant contract agreement was revised three times with a cost escalation from the original price of Rs. 68.880 million to Rs. 125.35 million in 2<sup>nd</sup> revision and to Rs. 177.220 million in 4<sup>th</sup> revision. The revision was made without any plausible justification and was approved from the competent forum. (As detailed below):

(Rs. in million)

Particulars	Agreement Date	Completion Date	DLP period	Total cost	Scope of work	No. of completed projects
Initial award	24.03.2014	24.09.2015	24.09.2015 to 24.09.2016	68.880	356 MMHPPs	-
2 <sup>nd</sup> revision	01.03.2016	30.06.2017	01.07.2017 to 31.012.2017	125.35	356 MMHPPs	220 up to 31.12.2016
3 <sup>rd</sup> revision	01.07.2017	30.06.2018	01.07.2018 to 30.06.2019	125.35	356 MMHPPs	250 up to 30.06.2018
4 <sup>th</sup> revision	01.07.2018	30.06.2019	01.07.2019 to 30.06.2020	177.220	332 MMHPPs	-

Audit has the following observations in light of the above analysis.

1. The scope of work was reduced from 356 MMHPPs to 332 MMHPPs by declaring 24 number of sites as unfeasible, but the cost of consultancy increased from 68.880 million to 177.220 million.

2. In the 3<sup>rd</sup> revised cost of Rs. 125.35 million with a completion date of 30.06.2018, the consultant reported in their progress report for June 2018 that 252 projects were completed and construction work on 72 number of sites was in progress. It means that for the remaining 34 non-completed sites (356-252-46-24), the PEDO enhanced the cost of contract by an additional Rs. 51.87 million (177.220-125.35), which is unjustified.
3. The PEDO had imposed liquidated damages on contractors for their inefficiency/ delay in completion of projects, but no such imposition was seen in the case of management consultant.

Audit held that undue favor was extended to the consultant by increasing the cost of contract and decrease in the scope of work. The consultant was equally responsible for the delay in the projects and was required to be penalized under the contract agreement.

The lapse occurred due to weak internal controls.

When pointed out in April 2019, the department stated that detailed reply will be furnished after consulting the record.

Audit requested the department for holding DAC meeting vide letters dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 627 (2017-18)**

#### **15.4.7 Non-achievement of project objectives- Rs. 5250 million**

According to the PC-1, the main objectives of the Mini/ Micro Hydro Power Projects is to develop cheap hydropower potential and to provide more reliable and constant power to local areas, especially those which are deprived of electricity. The project is to provide adequate facilities for the generation and transmission of electrical energy keeping in view the present severe power shortage and further requirements for the industrial, agricultural and economic development of the country.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the Financial Year 2017-18, it was observed that the 356 Mini Macro Hydropower projects in Northern Districts of KP was started in the

Year 2014-15 with a total PC-I cost of Rs. 5250.19 million with a period of 03 years.

Audit observed the following shortcomings in the overall project management;

1. The project was launched without conducting a proper feasibility study, as required under the rules, which resulted in the revision of PC-1 four times.
2. No detailed concept paper highlighting different aspects of the project was prepared.
3. Out of the 356 HPPs, 24 number of unfeasible sites were removed due to poor identification of sites.
4. The stance of Audit was further strengthened because 7 number of developed schemes were flooded before testing and commissioning, due to unfeasible sites.
5. The consultant reported in their progress report for June 2018 that 252 projects were completed in 2016-17 and 2017-18. However, testing of the completed projects as required under the agreement was not carried out due to reasons unknown to Audit.
6. Physical verification of the three sites each in District Swat, Shangla and Dir Upper revealed that they have started generation of electricity, but a record of revenue collection was not maintained, as per requirement of the PC-1.
7. No check-&-balance over the community operating the HPPs was observed.
8. No proper training to the community for operating the HPPs was provided.
9. The capacity of the scheme was not fully utilized and the electricity facility was given to a limited number of houses.
10. Physical verification of site at Bulkarai and Kuz Parao MHP in District Swat revealed that self-engineering was carried out by installing water miller on the water channel to be used for the powerhouse. When asked, it was told by the operator that the power houses use to be operational in the night while at day time the water channel is used for the water miller.
11. The schemes were awarded to limited NGOs in bulk for construction, who further sublet the work. The same was not properly managed and completed due to the limited capacity of their organizations. The stance of audit was verified from the fact that project management had deducted Rs.10 million from the payment bills due to below specification.
12. Physical verification of a site Naway Kalay Shapur 75 KWH HPP in District Shangla revealed that no Electronic Load Controller (ELC) was installed, which was the main equipment and its absence could have caused damage to the turbine, runner and barring, etc.

13. The project valuing Rs. 5250 million, was not properly managed because the activities were managed on an additional charge basis, having no permanent PD being appointed.

The lapse occurred due to ill-planning and weak internal controls.

When pointed out in April 2019, the department stated that detailed reply will be furnished later on.

Audit requested the department for holding DAC meeting vide letters dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault recovery.

**AP No. 631 (2017-18)**

#### **15.4.8 Wasteful expenditure on account of O&M of Ranolia- Rs. 91.979 million**

Para 10 (i) of GFR Vol-I provides that every government officer shall exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the Financial Year 2017-18, it was observed that the contract agreement of operation and maintenance (O&M) for the Ranolia Hydro Power Project (RHPP) was executed with M/S COMTECH Islamabad in 2014 for five years with a total cost of Rs. 251,402,025/- against which the local office paid an amount of Rs. 91,979,345/- up to the Financial Year 2017-18. Further verification of record revealed that no proper purchase and sales agreement of power generation was carried out with PESCO and there were no O&M activities. The contractor was receiving money according to the agreement while performing no O&M activities.

Audit held that executing the O&M contract with the contractor and paying him the said amount at the time when there was no contract agreement with the distribution agency i.e. PESCO was a burden on the resources of PEDO without getting any utility.

The lapse occurred due to non-adherence to the spirit of financial propriety.

When pointed out in April 2019, the department stated that the O&M contractor was mobilized to the project site before commissioning of the power plant to witness the pre-commissioning activities initiated by the EPC contractor. Initially, the project completion was scheduled by December 2014 but later on extended to June 2015. Because of the expected Commercial Operation Date (COD) i.e. April 2015, the O&M contract agreement was signed with the contractor. The interconnection with the national grid was delayed due to the transmission line issue with NTDC, which took considerable time due to status-quo granted by the honorable courts to land-owners against the construction of the transmission line.

Audit requested the department for holding DAC meeting vide letters dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 621 (2017-18)**

#### **15.4.9 Non-forfeiture of security- Rs.86.33 million**

According to sub-clause 10.1 of the contract agreement, the contractor shall provide a Performance Security in the prescribed form. The performance security shall be of an amount equal to 10% of the contract price in the currency of the contract in the form of Bank Guarantee from any scheduled bank of Pakistan or from any insurance company enlisted in category-AA rating.

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the Financial Year 2017-18, it was observed that the Organization entered into a contract agreement with JV CEMCO/ PECRET on 01-09-2014 for construction of 46 Mini/ Micro HHP in District Torghar and Mansehra of KP under the 356 Mini Macro Hydropower projects in Northern Districts of KP. After two months, M/S PECRET, the JV partner of CEMCO was disallowed by the administrative authorities to work with CEMCO as JV partner and thus their JV become defective and the contract between PEDO and JV CEMCO/ PECRET stood invalid.

The PEDO intimated the firms to clear their position within seven days else their contract will be terminated as per clause 45.2 of the contract agreement. But in response, M/S CEMCO filed a writ petition in the court of law, which was decided in favor of PEDO on 21-04-2016. Despite correspondence, the firm neither opted for extending the time of contract, which was expiring on 28.02.2016, nor was the validity of their performance guarantee extended.

Finally, the PEDO declared the firm as defaulter and terminated the contract agreement with JV CEMCO/ PECRET. However, it failed to forfeit/ recover the security amounting to Rs. 86,333,100/- till date of audit.

The lapse occurred due to weak internal controls.

When pointed out in April 2019, the department stated that detailed reply will be furnished later on.

Audit requested the department for holding DAC meeting vide letters dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends recovery.

**AP No. 625 (2017-18)**

#### **15.4.10 Wasteful expenditure on account of Feasibility Study - Rs.19.079 million**

As per 12<sup>th</sup> Board of Directors meeting held on 15-04-2016, approval for the Feasibility Study of the subject site was granted..

During audit of the Pakhtunkhwa Energy Development Organization (PEDO) for the Financial Year 2017-18, it was observed that the Feasibility Study of Torcamp Godubar HPP (TGHPP) Raw Sites Phase-II revealed that consultancy services for the feasibility study and detailed design of 409 MW TGHPP Lower Chitral were awarded to NESPAK and an expenditure of Rs.19,079,161/- was incurred till date of audit.

The Organization sought clarification vide letter dated 18-10-2018 regarding conflict of Hydel Potential Site of 409 MW TGHPP with WAPDA's Mirkhani Dam Project based on Trans-Basin Water Transfer (TBWT) from Chitral River into Panjkora River. It was requested to intimate the latest status of WAPDA regarding the 2007-2009 "Master Planning Study for Integrated

Development of Chitral, Swat & Kabul Rivers” and advised that whether PEDO should proceed with the feasibility study and detailed design of the said project.

The Authority submitted a detailed reply vide letter dated 14-11-2018 and stated that the PC-II Proforma for a feasibility study of the site was submitted to the Ministry of Water & Power on 27-08-2013, duly shared with the provincial government. The Irrigation Department KP issued a NOC with the condition to seek NOC from PEDO as well. Subsequently, request for issuance of an NOC was submitted to PEDO on 27-02-2015 followed by several reminders, but no response was furnished by the Organization and at last the Organization informed NESPAK vide letter dated 18-12-2018 regarding the termination of their consultancy contract.

Audit held that the consultancy contract was awarded to NESPAK at a time when the matter was in correspondence/ consideration with the federal government, resulting into wastage of resources of Rs. 19,079,161/-.

The lapse occurred due to non-adherence to the spirit of financial propriety.

When pointed out in April 2019, no reply was furnished.

Audit requested the department for holding DAC meeting vide letters dated 22-07-2019 and dated 09-10-2019. However, no DAC meeting was convened till finalization of this report

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP No. 636 (2017-18)**

## Chapter – 16

### Public Health Engineering Department

#### 16.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- Master planning for water supply & sanitation projects including Sewage Treatment and Solid Waste Management.
- Planning and designing of water supply & sanitation projects including Sewage Treatment and Solid Waste Management.
- Construction and maintenance of Rural Drinking Water Supply and Sanitation Scheme including Sewage Treatment Plants and Solid Waste Management.
- Execution of PHE works on behalf of other agencies/departments as Deposit Works.
- Water Quality Monitoring/Mapping including maintenance of water quality data base.
- Public Health Engineering works pertaining to government buildings and Government Residential Estates under the control of District Government.
- Determination of rates of supply to consumers in bulk and otherwise and prescribed tariff (only in the case of private/public undertakings).
- Levy and collection of fees, etc. for supply of water for drinking purposes.
- Levy and collection of fees, etc. for provision of Sanitation services including Sewage Treatment and Solid Waste Management

#### Audit Profile of Public Health Engineering Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	39	01	214.106	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc (Excluding FAP)</li></ul>	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

## 16.2 B) Comments on budget & accounts (variance analysis)

### Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2016-17 against the total of grants/appropriation was as follows:

#### Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
16-Public Health Engineering	NC21	5,742,686,000	1,006,745,000	6,749,431,000	6,806,971,585	57,540,585
<b>Total</b>		<b>5,742,686,000</b>	<b>1,006,745,000</b>	<b>6,749,431,000</b>	<b>6,806,971,585</b>	<b>57,540,585</b>

#### Development;

(Rs)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
52-Public Health Engineering	NC12	3,227,000,000	23,000,000	3,350,000,000	3,349,444,011	(555,989)
<b>Total</b>		<b>3,227,000,000</b>	<b>23,000,000</b>	<b>3,350,000,000</b>	<b>3,349,444,011</b>	<b>(555,989)</b>

#### Overview of expenditure against the final grant;

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	6,749.43	6,806.97	57.54	0.85
Development	3,350.00	3,349.44	(0.56)	(0.02)
<b>Total</b>	<b>10,099.43</b>	<b>10,156.42</b>	<b>56.98</b>	<b>0.56</b>

It can be seen from the above variance analysis that the budgets has been over-spent by less than 1%. Although, it is a very nominal variance but it still questions the SAP system controls.

## 16.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.533.561 million were raised in this report during the current audit of Public Health Engineering Department. This amount also includes recoveries of Rs. 530.711 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

**Overview of Audit Observations;**

<b>S No.</b>	<b>Classification</b>	<b>Amount (Rs.)</b>
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	2,849,227
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	530,711,912
5	Others	-

**16.3 Brief comments on the status of compliance with PAC directives:-**

<b>S.No</b>	<b>Audit Year</b>	<b>Name of Department</b>	<b>Total No. of actionable points</b>	<b>Full Compliance</b>	<b>Partial Compliance</b>	<b>Nil compliance</b>
1	2014-15	PHE	10	04	-	06

## **16.4 Audit Paras**

### **16.4.1 Non-recovery of water charges- Rs. 493.073 million**

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

During audit of the Executive Engineer Public Health Engineering Division Nowshera for the Financial Year 2018-19, it was observed that a sum of Rs.493,073,912/- was outstanding against various consumers on account of water charges, with no efforts being made by the department to recover the government dues, resulting into a loss to government.

The lapse occurred due to weak internal controls.

When pointed out in September 2019, the department stated that detailed reply will be furnished in due course of time.

Audit requested the department for holding DAC meeting vide letter dated 14-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends recovery.

**AP No.12 (2018-19)**

### **16.4.2 Non-recovery of water charges- Rs. 37.638 million**

According to Rule 7 of CTR Volume-I, all money received by or tendered to government officers on account of the revenues of the government shall without delay be paid in full into the treasury.

During audit of the Executive Engineer Public Health Engineering Division, D.I.Khan for the Financial Year 2017-18, it was observed that a sum of Rs.37.638 million was outstanding against various consumers on account of water charges.

The lapse occurred due to weak internal controls.

When pointed out in January 2019, the department stated that efforts are under way for recovery of water charges.

In the DAC meeting held on 23-08-2019, the department agreed to expedite recovery by involving the administration. The DAC did not agree with reply of the department and directed to recover the amount within 30 days. However, no progress was intimated to audit till finalization of this report.

Audit recommends recovery.

**AP No. 98 (2017-18)**

**16.4.3 Unauthorized execution of items of work not provided in the BOQ-  
Rs. 2.829 million**

Para-56 of CPWD Code provides that the proposal in the estimates should be structurally sound and that the estimates are accurately calculated and based on adequate data.

During audit of the Executive Engineer Public Health Engineering Division, D.I.Khan the Financial Year 2017-18, it was observed that expenditure amounting to Rs. 2,849,227/- was incurred on account of items of work executed in various schemes not provided in the BOQ/ estimates.

The lapse occurred due to violation of rules and regulations.

When pointed out in January 2019, the department stated that efforts are under way for recovery of water charges.

In the DAC meeting held on 23-08-2019, the department agreed to expedite recovery by involving the administration. The DAC did not agree with reply of the department and directed to recover the amount within 30 days. However, no progress was intimated to audit till finalization of this report.

Audit recommends recovery.

**AP No. 100 (2017-18)**

## Chapter – 17

### Provincial Assembly

#### 17.1 A) Introduction

The Khyber Pakhtunkhwa Assembly is the unicameral legislative body of the Khyber Pakhtunkhwa province in Pakistan. It was established under Article 106 of the Constitution of Pakistan. The Assembly has 124 elected members, 99 General/regular seats, 22 seats reserved for women and 3 seats for non-Muslims, committed to achieving excellence in the best parliamentary practices and legislation.

There are three main functions performed by the Assembly i.e. Legislation, management of public money and policy making. After the first meeting of the Assembly, the members take an oath. The Assembly elects, from amongst its members, a Speaker and a Deputy Speaker. After the election of the Speaker and the Deputy Speaker, the Assembly cannot transact any other business unless it elects the Chief Minister. The Chief Minister is elected in a special session, summoned by the Governor on a day specified by the President.

#### Audit Profile of Provincial Assembly;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	Nil	Nil	Nil	N/A
2	<ul style="list-style-type: none"><li>• Assignment Account</li><li>• SDA</li><li>• Etc</li></ul> (Excluding FAP)	Nil	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	Nil	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	Nil	Nil	Nil	N/A

#### 17.1 B) Comments on budget and accounts (variance analysis)

##### Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2018-19 is given below:

**Non-Development;** (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
01- Provincial Assembly	NC21	298,956,000	0	298,956,000	214,019,682	(84,936,318)
01- Provincial Assembly	NC24	972,860,000	55,513,000	1,028,373,000	932,780,721	(95,592,279)
<b>Total</b>		<b>1,271,816,000</b>	<b>55,513,000</b>	<b>1,327,329,000</b>	<b>1,146,800,403</b>	<b>(180,528,597)</b>

**Development;** (Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
	0	0	0	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Overview of expenditure against the final grant;** (Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1,327.33	1,146.80	(180.53)	(13.60)
Development	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,327.33</b>	<b>1,146.80</b>	<b>(180.53)</b>	<b>(13.60%)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 13.60% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

**17.2 Classified Summary of Audit Observations**

Audit observations amounting to Rs. 69.343 million were raised in this report during the current audit of Provincial Assembly. This amount also includes recoveries of Rs. 26.402 million was pointed out by the audit. Summary of the audit observations classified by nature is as under:

**Overview of Audit Observations;**

<b>S No.</b>	<b>Classification</b>	<b>Amount (Rs.)</b>
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	42,941,000
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	12,458,000
5	Others	13,944,000

**17.3 Brief comments on the status of compliance with PAC directives:-**

<b>S#</b>	<b>Audit Year</b>	<b>Name of Department</b>	<b>Total No. of actionable points</b>	<b>Full compliance</b>	<b>Partial compliance</b>	<b>Nil compliance</b>
1	Nil	Provincial Assembly	Nil	Nil	Nil	Nil

## **17.4 Audit Paras**

### **17.4.1 Loss to government on account of electricity charges at MPA hostel- Rs.12.458 million**

As per government existing policy /general practice, accommodations are provided by the government, while payments of utility charges are paid by the occupants read with Para-7 (2) of the Report of the Standing Committee No.4 on House and Library a member who occupies a suite or a room in hostel during the period of his term of duty shall pay Rs.3000/- for suite and Rs.2000/- for room per month.

During audit of the Provincial Assembly Khyber Pakhtunkhwa for the Financial Year 2017-18, it was observed that a sum of Rs.12.458 million was drawn on account of electricity charges at MPA Hostel. Further scrutiny of record it was revealed that there were 113 suites/rooms. Moreover, each member was paid Rs.4800/- per month as Utility charges. Audit held that rooms were allotted on nominal rates, therefore the utility charges were required to be paid by the occupants or cease the utility allowance @ Rs.4800/- per month, which was not done. Similarly, Gas charges and Generator POL charges were paid by the government which resulted in loss to public exchequer.

The loss occurred due to violation of rules and regulations.

When pointed out in April 2019, the department stated that detailed reply will be given later on.

Audit requested the department for holding DAC meeting vide letter dated 24-05-2019. However, no DAC meeting was convened till finalization this report

Audit recommends recovery.

**AP No. 490 (2018-19)**

### **17.4.2 Loss to government due to non-recovery of MPA hostel rooms rent - Rs.13.944 million**

According to Para-7 (4) of the Provincial Assembly of Khyber Pakhtunkhwa Notification dated 16.11.2015, a Parliamentary Secretary occupies a suit in the hostel shall pay Rs.15000/- and for room Rs.12000- per month

During audit of the Provincial Assembly Khyber Pakhtunkhwa for the Financial Year 2017-18, it was observed that a sum of Rs.6.672 million was due to be recovered against Parliamentarian Secretaries, etc. on account of Suites and Rooms rent at MPA Hostel till 30<sup>th</sup> September 2017 vide Government of Khyber Pakhtunkhwa Administration Department letter dated 1.6.2018

Similarly, the same Suits and Rooms also remained under the use of Parliamentarian Secretaries and Advisors from 1<sup>st</sup> October 2017 to May 2018 (08 months). However, monthly rent amounting to Rs.7.272 million was not recovered due to which the government sustained loss.

The lapse occurred due to violation of rules and regulations.

When pointed out in April 2019, the department stated that detailed reply will be given later on.

Audit requested the department for holding DAC meeting vide letter dated 24-05-2019. However, no DAC meeting was convened till finalization this report

Audit recommends recovery.

**AP No. 486 (2017-18)**

#### **17.4.3 Irregular expenditure on account of TA/DA on foreign tours - Rs.42.941 million**

According to the clarification of the Finance Department letter dated 20.4.2002, the payment of TA/DA, accommodation charges and other expenses involved to the officers who are invited by the NGOs and other institutions (Government/Non-Government) to attend seminar/conferences is the responsibility of inviting organizations.

According to Para-11& 12, each head of the department is responsible for enforcing financial orders strict economy at every step and observing all relevant financial rules and regulations, while the Government of Khyber Pakhtunkhwa, Finance Department letter dated 15.7.1981 provides that the controlling officer should exercise care that there is no evasion or breach of the fundamental of traveling allowance and that the allowance is not to be utilized as a source of profit.

During audit of the Provincial Assembly Khyber Pakhtunkhwa for the Financial Year 2017-18, it was observed that a sum of Rs.42.941 million was drawn on account of TA/DA regular staff and parliamentary members out of which a sum of Rs.20.297 million was incurred on foreign tours. (As detailed below):

<b>S. No.</b>	<b>Particulars</b>	<b>Amount (Rs. in million)</b>
1.	Charged PR-4001 Regular staff Tour (foreign tours)	9.742
2.	Voted PR-4002 Parliamentary members (foreign tours)	10.555
<b>Total</b>		<b>20.297</b>

The expenditure was irregular on the following grounds: -

1. Documentary evidence i.e. tour program, attendance certificates and tour notes by the Members/ Officers concerned attending tour abroad were not made available.
2. Detail of training schedules, invitation received or any documentary evidence certificates etc were not made available.
3. Criteria for nominating officers were not made available, no relevancy of nominated officers attending said training /tours with their job descriptions were matching.
4. Some junior-most officers (specific persons) were nominated for foreign tour again and again without any cogent reason.
5. Rs.33.199 million was incurred on account of TA to members under voted head AO3825 without detail breakup and proof and appropriation register
6. Previous year liability on a/c of Members foreign tour for the year 2015-17 Rs.1.965 million was claimed in 2017-18.
7. Memorandum of Understandings (MOU) was required to be made with respective agencies which were not done, as such factual position regarding names and nomination of Member of the Parliament or other staff and actual duration of visits could not be made known.

8. According to the clarification of the Finance Department quoted above, the payment of TA/DA, accommodations charges and other expenses were the responsibility of the Inviting Organization/NGOs, therefore payment of Rs.42.941 million was unjustified.

The lapse occurred due to violation rules and regulations.

When pointed out in April 2019, the department stated that detailed reply will be given later on.

Audit requested the department for holding DAC meeting vide letter dated 24-05-2019. However, no DAC meeting was convened till finalization this report

Audit recommends recovery.

**AP No. 488 (2018-19)**

## Chapter – 18

### Transport Department

#### 18.1 A) Introduction

As per Rules of Business 1985 (amended to-date), the department has been assigned the business of:

- ❖ Administration of provincial transport authority and regional transport authorities.
- ❖ Administration of the West Pakistan Motor Vehicles Ordinance, 1965 except enforcement of the provision of the Ordinance relating to control of traffic and inspection and checking of motor vehicles for the purposes of traffic control.
- ❖ Services matters except those entrusted to E&AD.

#### Audit Profile of Transport Department;

S No.	Description	Total Nos	Audited	Expenditure Audited FY 2018-19 (Rs in Million)	Revenue/Receipts Audited FY 2018-19 (Rs in Million)
1	Formations	10	Nil	Nil	N/A
2	<ul style="list-style-type: none"> <li>• Assignment Account</li> <li>• SDA</li> <li>• Etc</li> </ul> (Excluding FAP)	03	Nil	Nil	N/A
3	Authorities/Autonomous bodies etc under PAO	03	Nil	Nil	N/A
4	Foreign Aided Projects (FAP)	01	01	21,403.000	N/A

#### 18.1 B) Comments on budget & accounts (variance analysis)

##### Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2016-17 against the total of grants/appropriation was as follows:

##### Non-Development;

(Rs.)

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual expenditure	Excess / (Savings)
45-Transport	NC21	340,362,000	390	141,362,390	95,205,980	(46,156,410)
<b>Total</b>		<b>340,362,000</b>	<b>390</b>	<b>141,362,390</b>	<b>95,205,980</b>	<b>(46,156,410)</b>

**Development; (Rs.)**

Grant # and Name of Department	Grant Type	Original Grant	Supply: Grant	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Transport	NC22	114,468,000	0	97,365,000	98,327,276	20,710,557
50-Transport	NC12	7,000,532,000	0	7,000,526,000	7,000,526,000	-
<b>Total</b>		<b>7,115,000,000</b>	<b>0</b>	<b>7,097,891,000</b>	<b>7,098,853,276</b>	<b>20,710,557</b>

**Overview of expenditure against the final grant; (Rs. in million)**

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	141.362	95.205	(46.156)	(32.58)
Development	7,097.891	7,098.853	0.962	0.013
<b>Total</b>	<b>7,239.253</b>	<b>7,194.058</b>	<b>(45.195)</b>	<b>(32.56)</b>

It can be seen from the above variance analysis that the budgets could not be utilized and 32.56% of the funds have been left unspent. This indicates inability of the department to utilize the available funds in the best public interest and hence many of the planned activities could not have been achieved.

## 18.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4,722.947 million were raised in this report during the current audit of Transport Department. This amount also includes recoveries of Rs. 1,478.026 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

### Overview of Audit Observations;

S No.	Classification	Amount (Rs.)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	4,317,490,000
3	Irregularities	
A	HR/Employees related irregularities	15,400,000
B	Procurement related irregularities	36,328,180
C	Management of Accounts with Commercial Banks	153,051,347
4	Value for money and service delivery issues	57,092,245
5	Others	143,586,175

## 18.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	Nil	Nil	Nil	Nil	Nil	Nil

## 18.4 Audit Paras

### 18.4.1 Misappropriation of dismantled material-Rs.25.445 million

According to S.No 4,23.2 of the Technical Specifications, all dismantled materials shall be the property of the employer and shall be sorted, and stalked where ordered. The work of removing dismantled material within the site area, sorting and stacking the same will be done within the rate.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the local office executed the item of work, dismantling of the structure of stone masonry, bricks masonry, plain cement concrete, and Reinforced concrete and other obstruction including their disposal within a radius of six kilometers. Some other works like removal of doors, frames angle irons, etc and paid for Rs.25,445,286/- . (As detailed below):

S. No	Reach No	IPC No	Quantity	Rate	Amount Rs.
1	I	12 <sup>th</sup>	9017.562 m3	2000/- less 4.1%	17,295,684
2	II	11 <sup>th</sup>	94.97214 m3	2000/- less 2.3%	185,575
3	III	15 <sup>th</sup>	562.787 m3	2000/- m3	1,125,574
	III	Various material	Board Bazar	-	94,000
	III		Arbab Road Right Side		295,661
	III		Arbab Road Left Side		926,240
	III		Jehangir Abad		270,000
	III	1800 Meter bridge	450 m3	Rs.3500/- less 3.2%	1,524,600
	III	500 Meter bridge	404.444 m3	Rs.3500/- less 3.2%	1,370,256
	III	Tehkal Bridge	695.896 m3	Rs.3500/- less 3.2%	2,357,696
<b>Total</b>					<b>25,445,286</b>

Audit held that from the dismantling stone, bricks, steel, doors windows and other items were received which was required to have been handed over the employer. Contrarily nothing in black and white was available on record. In absence of proper record the dismantled material worth Rs.25,445,286/- leads to misappropriation.

The misappropriation of dismantled material is held irregular.

The lapse occurred due to weak internal controls.

When pointed out during September 2019, it was stated that detailed reply will be submitted later on.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends that the matter needs inquiry and recovery of the material.

**AP No. 156 (2018-19)**

#### **18.4.2 Loss due to less recovery of DPR charges -Rs.143.586 million**

According to the Directorate of Social Welfare & Women Development Department Peshawar letter dated 18-05-2012 and Section-11 of the Disabled Person (Employment and Rehabilitation Ordinance 1981 and Rules 1991), the deduction of DPR Fund for the rehabilitation of disabled persons from the bills/payment @ Rs. 2000/- each per million and deposit the Head No. G-12218 "fund for rehabilitation of disabled persons".

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that payment to the tune of Rs 40,561,084,538/- was to various contractors. DPR charges at the rate of Rs. 2000/- per million, amounting to Rs. 170,711,862/- was required to have been deducted. Contrarily deduction of Rs.4,293,908/- was made. This resulted in loss of Rs. 143,586,127/- (170,711,862 – 4.293,908). (As detailed below):

S. No	Particulars	Gross Bill	DPR deducted	DPR Due	Difference
1	PACKAGE (REACH)-I:	10,034,867,799	1,531,818	20,069,736	18,537,917
2	PACKAGE (REACH)-II:	10,338,438,386	14,137	20,676,877	20,662,740
3	PACKAGE (REACH)-III:	13,566,800,733	2,266,394	27,133,601	24,867,208
4	Bldg:Pack:(Hayatabad)Lot-I	1,463,844,378	-	2,927,689	2,927,689
5	Bldg:Pack:(Chamkani)Lot-II	1,831,689,135	370,184	3,663,378	3,293,194
6	Bldg:Pack:(Dabgari)Lot-III	2,020,558,004	111,375	4,041,116	3,929,741
7	MMP SUPERVISION:	1,034,963,844	-	2,069,928	2,069,928
8	Mott Macdonald SUPERVISION:	269,922,259	-	539,845	539,845
	<b>Total</b>	<b>40,561,084,538</b>	<b>4,293,908</b>	<b>170,711,862</b>	<b>143,586,127</b>

The loss of Rs.143.586 million needs recovery.

The lapse occurred due to non-adherence to the provisions of rules and weak internal controls.

When pointed out during September 2019, it was stated that letter to the contractors for depositing the amount has been issued.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends that the amount should be recovered at the earliest.

**AP No. 140 (2018-19)**

**18.4.3 Loss due to non-payment of interest by the bank - Rs. 139.027 million**

According to the Provincial Government policy circulated vide Finance Department letter dated 10.02.2014, profit earned on the Profit & Loss Sharing Accounts should be deposited in government treasury under the following head of account:-

C01	Total income from property
C018	Total interest on the loan –Others
C01803	Interest realized on investment of Cash Balance
PR5562	RCO #

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the local office is maintaining a daily product account with BOK. BRT funds amounting to 1500 million was transferred from the United Bank Account to Bank of Khyber. (As detailed below):

<b>S. No</b>	<b>Cheque No &amp; Date</b>	<b>Amount (Rs)</b>
1	67485151 / 27.03.2018	500,000,000
2	67485158 / 10.04.2018	500,000,000
3	67485214 / 27.04.2018	500,000,000
	<b>Total</b>	<b>1500,000,000</b>

Various transactions were made from the said accounts till 10.12.2018. The BOK during this period had allowed interest on the Principal amount only without compounding the interest amounting to Rs.41,987,994/-earned during

the period. This resulted in a loss of Rs.139,026,908/- to Govt. (Annexure-II). The loss of Rs.139,026,908/- needs inquiry and fixing responsibility for the lapse.

The lapse occurred due to weak financial controls.

When pointed out during September 2019, the department did not agree with the audit by furnishing a very lengthy reply.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends that the matter may be taken up at a higher level for recovery of the said amount.

**AP 142 (2018-19)**

#### **18.4.4 Non-recovery of damages done by contractor to PDA assets - Rs.54.891 million**

According to DG PDA letter dated 17-07-2018, the contractor of BRT had damaged PDA assets during the execution of the project. Moreover, the contractor also demanded heavy machinery for the dismantling of certain items of work which was accordingly provided.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the contractor of BRT project i.e M/S Maqbool Calsons had damaged PDA assets while removing it from the site of work. Whereas it was his responsibility to dismantle and handover it to PDA and also pay the machinery charges. Contrarily most of the items were damaged but the same was neither repaired nor cost thereof amounting to Rs.54.891 million recovered from the contractors.

Non-recovery of damages and machinery charges amounting to Rs.54,891,353/- resulted in loss to the authority hence held irregular.

The lapse occurred due to weak internal controls.

When pointed out during September 2019, it was stated that detailed reply will be submitted later on.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends that the damages are quite clear and should be recovered.

**AP 159 (2018-19)**

#### **18.4.5 Non-recovery of outstanding dues - Rs.24.759 million**

According to clause-5-3 of the agreement executed with Service provider dated 19.05.2014, the service provider shall pay 60% of the total income to the government read with Director of Transport and Mass Transit KP letter dated 05-11.2028 addressed to DC Peshawar for recovery under the Land Revenue Act.

During audit of the Director Transport and Mass Transit Department Khyber Pakhtunkhwa for the Financial Year 2017-18, it was observed that an agreement for Peshawar Bus Terminal (PBT) was executed on 16-05.2014 for three years i.e. up to 30.06/2017 between the Service Provider (Speed Line and Director Transport & Mass Khyber Pakhtunkhwa on behalf of Road Transport Board (RTB). On verification of department tax collection statement for 2014-15 to 2017-18, it was observed that 60% share amounting to Rs.24.759 million was less deposited in Government bank account (RTB) by the Service Provider. (As detailed below):

**(Rs)**

<b>Sr. No.</b>	<b>Total taxes collected</b>	<b>60% govt. share due</b>	<b>Deposited amount in PBT account</b>	<b>Outstanding 60% Taxes</b>
1	189,689,513	113,813,707	89,054,528	24,759,179

The lapse occurred due to violation of rules and regulations.

When pointed out in 05/2019, the management stated that detailed reply will be furnished after consultation of the original record.

Audit requested the department for holding of DAC meeting but no DAC meeting has been convened till finalization of this report.

Audit recommends recovery besides action against responsible.

**AP No 715 (2017-18)**

#### **18.4.6 Non-deposit of profit earned of PLS account in Government Treasury - Rs 42.986 million**

According to the Finance Department Khyber Pakhtunkhwa instructions dated 05-05-2015, profit earned on PLS bank accounts shall be deposited in Government Treasury under head 'C01803- Interest of cash balances.

During audit of the Director Transport and Mass Transit Department Khyber Pakhtunkhwa for the Financial Year 2017-18, it was observed that profit earned on BOK PLS account amounting to Rs. 42.986 million was not deposited in Government Treasury. (As detailed below):

<b>Sr.No</b>	<b>Date of profit earned</b>	<b>Amount of profit (Rs)</b>
1	15.01.2014	2,803,577
2	16.07.2014	3,551,453
3	09.01.2015	3,906,626
4	10.07.2015	3,484,313
5	24.01.2016	3,222,562
6	16.07.2016	3,399,382
7	14.01.2017	3,641,158
8	15.07.2017	3,922,188
9	13.01.2018	4,114,879
10	14.07.2018	4,256,138
11	12.01.2019	6,683,307
<b>Total</b>		<b>42,985,583</b>

The lapse occurred due to weak financial controls and violation of Finance Department KP instructions.

When pointed out in 05/2019, the management stated detailed reply will be furnished after consultation of the original record.

Audit recommends the deposit of the profit earned in Government Treasury.

**AP No719 (2017-18)**

#### **18.4.7 Overpayment for incomplete work - Rs. 11.370 million**

According to S No 4.53.12 of the Technical Specifications, for preparation of lawn, all construction materials/ debris should be removed, deep ploughing and removal of weeds roots. Gypsum powder well mixed river silt

or sweet earth in layers of 6 inches and proper compaction. Top 6 inches soil should have 3 inches cow dung (Farm Yard Manure) well-mixed should be used. Beside other related items of work were also required to have been done.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that M/S Maqbool Calsons was paid Rs.12,633,032/-( $26101 * 500 = 13,050,653 * 3.2\%$  less) for an item of work, New green Belt (Complete in all respect as per drawing, design, and specification) in Reach-III vide 15<sup>th</sup> IPC.

On physical verification of site, it was observed that the contractor has supplied sweet earth only and payment was made. He had neither provided the items mentioned in the specification nor his rate reduced accordingly. As he had not executed the item of work according to specification, therefore his rate was required to have been paid for the sweet earth only i.e. Rs.50/- per square meter (approximately 10% of Rs.500/- per m<sup>2</sup>) and Rs.1,263,288/- ( $26101 * 50 = 1,305,050 * 3.2\%$  less = 1,263,288) paid accordingly. This was not done and full payment was made which resulted in an overpayment of Rs.11,369,744/- (12,633,032 - 1,263,288) to the contractor.

The lapse occurred due to weak internal controls.

When pointed out during September 2019, it was stated that detailed reply will be submitted within due course of time after checking the relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends recovery.

**AP 158 (2018-19)**

#### **18.4.8 Overpayment due to allowing BRT allowance in excess than the provision in the PC-I - Rs. 1.00 million**

According to Board meeting held under the chairmanship of the Honorable Chief Minister Khyber Pakhtunkhwa, dated 19.04.2018, read with Serial No-13 (4) & Annexure-XXIII of the Revised PC-I, wherein approval of BRT allowance @ Rs. 300,000/- PM was accorded to the Project Monitoring Committee.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that a sum of Rs. 1,000,000/- was paid to the project monitoring committee as BRT special allowance in excess than provision in the PC-I. (As detailed below):

**(Rs.)**

S.No.	Name	Designation	Period	BRT Allowance as per PC-I	BRT Allowance Drawn	Diff
1	Shahzad Khan Bangash	Add: Chief Secretary P & D	Jul-18	300,000	600,000	300,000
2	Kamran Rehman	Secretary TMTD	Jul-18	300,000	600,000	300,000
3	Syed Jamal Ud Din Shah	Secretary LGE & RDD	Jul-18	300,000	600,000	300,000
4	Zahir Shah	Secretary LGE & RDD	Oct-18	300,000	400,000	100,000
					<b>Total</b>	<b>1,000,000</b>

The lapse occurred due to violation of provision of the approved PC-1.

When pointed out in September 2019, it was stated that detailed reply will be submitted within due course of time after checking the relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends that the payments were not covered under the revised PC-1, hence recovery should be made.

#### **AP 144 (2018-19)**

#### **18.4.9 Unauthorized payment of BRT allowance without provision in the revised PC-I - Rs. 11.027 million**

According to Serial No-13 (4) of the Revised PC-I, the key aims and objectives of the project implementation unit are to supervise the engineering procurement and construction management consultant under project design advance facility as well as construction supervision. Staff will consist of 143 posts from BPS-03 to BPS-20.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that a sum of Rs. 11,027,500/- was paid on account of BRT allowance to officers/officials whose designation/posts were not mentioned in the revised PC-I. The payment of the allowance without provision was, therefore, held authorized. This same needs justification or recovery.

The lapse occurred due to violation of approved PC-1.

When pointed out in September 2019, it was stated that detailed reply will be submitted within due course of time after checking the relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends that the payments were not covered under the revised PC-1, hence recovery should be made.

**AP 143 (2018-19)**

**18.4.10 Un-authorized payment to internees without provision in the PC-1- Rs. 3.373 million**

According to Serial No-13 (4) of the Revised PC-I, the key aims and objectives of the project implementation unit are to supervise the engineering procurement and construction management consultant under project design advance facility as well as construction supervision. Staff will consist of 143 posts from BPS-03 to BPS-20.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that a sum of Rs. 3,737,159/- was paid to various internees on account of their salary without provision in the revised PC-I. The payment of Rs. 3.373 million is held authorized.

The lapse occurred due to violation of approved PC-1.

When pointed out in September 2019, it was stated that detailed reply will be submitted within due course of time after checking the relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends that the payments were not covered under the revised PC-1, hence recovery should be made.

**AP 145 (2018-19)**

#### **18.4.11 Irregular expenditure from other grants- Rs.925.728 million**

According to Section 3.3.12.8 of the Accounting Policy and Procedure Manual, re-allocation between primary units (major object) of appropriation and between different grants must be approved by the Finance Division/Department. The specific authorities for such transfers are set out in the 'Delegation of Financial Powers' issued by the Federal Government and each of the Provincial Governments.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the local office had made payment of Rs.925,727,542/- on account of Income Tax and Sale Tax for the BRT project. The same was charged to the Assignment Accounts maintained for other developmental projects of the Provincial Government. (Annexure-III)

Charging expenditure to funds of other developmental Schemes amounting to Rs.925,727,542/- is held irregular.

The lapse occurred due to misuse of cheque drawing authority and financial mismanagement.

When pointed out during September 2019, it was stated that detailed reply will be furnished later on.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility against the person(s) at fault.

**AP 134 (2018-19)**

#### **18.4.12 Irregular payment for Formwork- Rs.131.89 million**

According to the rate analysis of all concretes provided in the revised PC-1, shows shuttering (Formwork) was included under the material required for the execution of the item of work.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the local office executed the items of work as Non- BOQ, non-removable

formwork of precast Girders for Rs.79,972,813/- and paid vide 12<sup>th</sup> IPC of Reach-I and 11<sup>th</sup> IPC of Reach-II. Similarly, Rs.51.916 million was paid for the same items of work vide 15<sup>th</sup> IPC for Reach-III. (As detailed below):

S. No	Details	Quantity	Rate	Amount Rs.
1	Reach-I	175 No	100,000	17,500,000
2	Reach-II	375 No	166,555	62,472,813
3	Reach-III	312 No	166,000	51,916,800
<b>Total</b>				<b>131,889,613</b>

Audit opines that the shuttering was included in every concrete, therefore, its approval under the non BOQ item of work was irregular. Hence, the expenditure of Rs.131,889,613/- so incurred needs recovery.

The lapse occurred due to weak financial management.

When pointed out during September 2019, it was stated that detailed reply will be submitted later on.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends recovery.

**AP 153 & 154 (2018-19)**

#### **18.4.13 Irregular retention of interest- Rs.71.035 million**

According to the Provincial Government policy circulated vide Finance Department letter dated 10.02.2014, profit earned on the Profit & Loss Sharing Accounts should be deposited in government treasury under the following head of account:-

C01	Total income from property
C018	Total interest on the loan –Others
C01803	Interest realized on investment of Cash Balance
PR5562	RCO #

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the local office had operated two daily product interest-bearing accounts for the

government of Khyber Pakhtunkhwa funds. The bank statements were reviewed and observed that interest of Rs.71,053,437/- was earned on these two accounts up to 6/2019. (As detailed below):

<b>UBL Account No.246920245</b>		
<b>S. No</b>	<b>Month</b>	<b>Amount of Interest Rs.</b>
1	March-2018	9,078,063
2	April-2018	5,020,254
3	May-2018	270,650
4	June-2018	276,795
6	Jul-18	325,625
7	Aug-18	187,216
8	Sep-18	140,982
9	Oct-18	61,397
10	Nov-18	40,415
	<b>Total</b>	<b>15,401,397</b>
<b>BOK Account No.0128000004400002</b>		
1	Dec-18	6,084,323
2	Jan-19	12,537,696
3	Feb-19	8,903,006
4	Mar-19	4,213,295
5	Apr-19	2,059,222
6	May-19	6,190,838
7	Jun-19	15,645,660
8	<b>Total</b>	<b>55,634,040</b>
	<b>Grand Total</b>	<b>71,035,437</b>

The interest of Rs.71,035,437/-so earned was required to have been credited to the provincial Govt Account. Contrarily the same was not retained in the accounts till 9/2019 i.e (Dates of audit). The retention of interest amounting to Rs.71,-035,437/- was held irregular and needful done be intimated to audit.

The lapse occurred due to weak financial controls and violation of rules.

When pointed out during September 2019, it was stated that detailed reply will be furnished later on.

The Government policy is quite clear on the subject.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends that the amount should immediately be transferred to government account.

**AP 141 (2018-19)**

#### **18.4.14 Irregular payment for disposal of material- Rs.90.927 million**

According to S No 4,26.9 (a) of the Technical Specifications, for excavation the item rate includes excavation, backfilling any section of the work, lifting and removal of surplus excavated material for all leads and lifts. Similarly, S.No 2.1.2 of the Technical Specifications, provides that except where specifically provided for in the Bill of Quantities, the earthwork pay items shall include the cost of removal of all material regardless of its nature, encountered within the limits of the approved cross-section, including the removal and disposal of the existing stones, concrete or masonry, rocks boulders or fragments, old pavements, culverts, bridges, walls, buildings, and roads, or part thereof retaining walls or any other material encountered during the excavation.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that M/S Maqbool Calsons JV was paid Rs.924,176/- (2199.842 m<sup>3</sup> @ 430 per m<sup>3</sup> less 2.30 %) for the items of work, Excavation of unsuitable common material complete in all respects as per drawing & design in the Reach-II of BRT vide 12<sup>th</sup> IPCs of Reach-II. They were also paid for another non-BOQ item of work i.e. Disposal of surplus common material (Already excavated/debris) Rs. 43,455,802/-(146,666.448 m<sup>3</sup> and paid @ Rs.296.29 per m<sup>3</sup>). Similarly, Rs. 47,471,072/- was paid to the same contractor on account of disposal of existing unsuitable material in Reach-III vide 15<sup>th</sup> IPC.

Audit opines that the later item of work was covered in the first item of work hence its approval & payment as Non-BOQ item of work is duplication of the earlier paid item of work. The payment of Rs. 90.27 million (Rs. 43,455,802 + Rs. 47,471,072) so made was therefore held irregular and needs recovery.

The lapse occurred due to financial mismanagement.

When pointed out during September 2019, it was stated that detailed reply will be submitted after checking the relevant record thoroughly.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends recovery.

**AP 152 & 155 (2018-19)**

**18.4.15 Irregular payment for disturbance charges to cantonment board- Rs. 24.250 million**

According to 12 of GFR Vol-1, a controlling officer must see that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided To maintain a proper control he should arrange to be kept informed not only of what has been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it He must be in a position to assume before Government and the Public Accounts Committee if necessary complete responsibility for departmental expenditures and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of audit security or otherwise.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the local office had paid Rs.24,250,000/- to the Chief Executive Cantonment Board Peshawar on account of Disturbance Charges. There was no provision for the purpose in the approved PC-1, hence the same was charged to the funds provided for Utilities Relocation. (As detailed below):

<b>S.No</b>	<b>Vr: No &amp; Date</b>	<b>Period</b>	<b>Amount Rs</b>
1	35/ 03.07.2018	1-06-2018 to 15-06-2018	1,500,000
2	143/16.07.2018	16-06-2018 to 30-06-2018	1,500,000
3	224/27.07.2018	01-07-2018 to 15-07-2018	1,500,000
4	29/05.09.2018	16-07-2018 to 15.08.2018	3,100,000
5	38/25.09.2018	16-08-2018 to 31-08-2018	1,600,000
6	42/8-10-2018	01-09-2018 to 30-09-2018	3,000,000
7	70/ 31-12.2018	1-11-2018 to 30-11-2018	3,000,000
8	130/ 28.06.2019		9,050,000
<b>Total</b>			<b>24,250,000</b>

Audit held that the payment did not involve any utility- relocation therefore it was not a legitimate charge on the funds. Moreover, in PC-1 of the project, there is no provision for the purpose, hence it was not a legitimate charge on the project. The expenditure of Rs.24,250,000/- so incurred without provision in the approved PC-1 is held irregular.

The lapse occurred due to weak financial controls.

When pointed out during September 2019, it was stated that detailed reply will be submitted later on.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends recovery.

**AP 138 (2018-19)**

**18.4.16 Irregular adjustment of salaries and POL against the purchase of vehicles - Rs. 21.881 million**

According to para 12 of GFR Vol-I, the controlling officer must see not only that the expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended upon the object for which the money was provided.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the DG PDA has incurred the expenditure of Rs.21.881 million on the payment of salary to staff and POL for various vehicles. (As detailed below):

<b>S.No.</b>	<b>Detail</b>	<b>Amount (Rs.)</b>
1.	Salary	9,776,173
2.	POL	12,104,844
<b>Total</b>		<b>21,881,017</b>

The same was adjusted against the cost of vehicles purchased under the BRT.

Audit opines that purchase of the vehicle was not a legitimate charge on the BRT therefore the same was required to have been recovered. The local office instead of making payments from the respective heads of account i.e.

salary and POL adjusted against the purchase of vehicle which was violation of the provision of rules.

The adjustment of Rs. 21.881 million was head irregular and needs justification.

The lapse occurred due to weak internal controls.

When pointed out in September 2019, it was stated that detailed reply will be submitted within due course of time after checking the relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends recovery.

**AP 147 (2018-19)**

**18.4.17 Irregular expenditure on the purchase of vehicles - Rs. 14.447 million**

According to the revised PC-1 of BRT, the Station wagon. 4-wheel drive, 5 Seater, Air condition, 6 cylinder diesel engine (Toyota Land Cruiser or equivalent) provided vide item No. 9.4b was deleted from the PC-1 and 5 doors jeep was approved.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the payment of Rs.14,447,372/-(14,924,972\*3.2% less=14,447,372) was made to M/S Maqbool Calsons for the supply of 2 No Station wagon.4-wheel drive, 5 Seater, Air condition, 6 cylinder diesel engine (Toyota Land Cruiser vide his 12<sup>th</sup> IPC for the work Reach-III.

Audit has the following observations:-

1. The payment was made provisionally as Variation Order No. 2 was not yet approved. Meanwhile, the said vehicle was deleted from the revised PC-1. The purchase of vehicle deleted from approved PC-1 is held irregular.
2. The vehicles are not physically available in the PDA office nor any expenditure incurred on their registration, POL or any others. It makes the purchase doubtful or issued to unrelated persons.

3. The purchase was made without open tender to get economical rates.
4. The M/S Indus Motors was paid Rs.13,328,000 whereas payment of Rs.14,447,372/- was made to M/S Maqbool Calsons. This resulted in excess payment of Rs.1,119,372/- (14,447,372 – 13,328,000) to contractor. Which needs recovery.
5. The claim comprised of Sale Tax of Rs.1936548/- 1/5<sup>th</sup> amounting to Rs 387,310/- (1936548\*1/5) was not retained in violation of the rules.
6. Stamp duty @ 1% amounting to Rs.133,280/- (13328000\*1%) was also not recovered.

The lapse occurred due to weak internal controls.

When pointed out during September 2019, it was stated that detailed reply will be submitted within due course of time after checking the relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends inquiry for fixing responsibility against the person(s) at fault.

**AP 136 (2018-19)**

#### **18.4.18 Irregular expenditure on POL - Rs. 7.137 million**

According to Serial-13 (4) of the PC-I, the key aims and objectives of the project implementation unit are to supervise the engineering procurement and construction management consultant under project design advance facility as well as construction supervision.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that expenditure of Rs.22,341,710/- was incurred on the POL of various vehicles. This amount comprises expenditure of Rs.7,137,762/- incurred on the water tanker used for sprinkling water on roads. This activity was the responsibility of the contractor and having no provision in the PC-I. Moreover, logbooks of the tankers were not produced for verification. (Annexure-IV)

The expenditure of Rs.7.137 million was irregular and needs justification.

The lapse occurred due to violation of approved PC-1.

When pointed out in September 2019, it was stated that detailed reply will be submitted within due course of time after checking the relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends recovery.

**AP 146 (2018-19)**

#### **18.4.19 Excess expenditure on the revised PC-I - Rs. 427.569 million**

The Secretary to Govt of Khyber Pakhtunkhwa Transport while issuing revised Administrative approval vide his letter dated 30.11.2018 directed that implementation on expenditure on the scheme shall be made in accordance with the approved revised PC-1, authorization of the project by the Planning Commission as per ECNEC's decision & fulfillment of all coda; formalities, fundamental rules/regulations.

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the local office had incurred expenditure Rs.427,568,607/- over and above the provisions in the revised PC-1. (As detailed below):

(Rs)

S. No	Details	PC-1 provision	Actual expenditure	Excess
1	Consultants	1,143,000,000	1,457,605,180	314,605,180
2	Utilities Re-location	1,500,000,000	1,571,843,818	71,843,818
3	Social Resettlement Cost	120,000,000	158,986,613	38,986,613
4	Advertisement	13,000,000	14,208,024	1,208,024
5	Purchase of Vehicles	14,000,000	14,924,972	924,972
	<b>Total</b>	<b>2,790,000,000</b>	<b>3,217,568,607</b>	<b>427,568,607</b>

As the excess over revised PC-1 is not permissible, therefore the expenditure of Rs.427,568,607/- is held irregular.

The lapse occurred due to weak financial controls.

When pointed out during September 2019, it was stated that detailed reply will be submitted within due course of time after checking the relevant record.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

Audit recommends recovery.

**AP 139 (2018-19)**

#### **18.4.20 Fictitious expenditure - Rs. 2.68 billion**

According to Section 3.3.12.6 of the Accounting Policy and Procedure Manual, all anticipated savings must be surrendered to the Government immediately as they are foreseen, but no later than 15th May each year. Savings from funds provided after 15th May must be surrendered no later than 30 June. Stringent controls should be exercised in the spending of all potential or actual savings. No savings should be held in reserve for possible future excesses

During audit of the Peshawar Sustainable Bus Rapid Transit Corridor (PSBRTC) Project for the Financial Year 2018-19, it was observed that the government had released government counterpart fund amounting to Rs.3,555,822,000 during the year. The local office incurred an expenditure of Rs. 2,119,939,770 up to 30th June 2019, leaving a balance of Rs.1,435,982,230 (3,555,822,000 – 2,119,939,770) in the bank account. The same was not surrendered and retained at the close of the financial year.

Audit held that the Accountant General Office had booked a full amount of Rs.3,555,822,000 in the Appropriation Account for 2018-19 whereas the actual expenditure was Rs.2,119,939,770. As such funds to the tune of Rs. 1,435,982,230 was fictitiously booked as expenditure. Similarly during 2017-18, balance of Rs. 1,248,561,362 was unauthorized retained.

The aggregate fictitious expenditure of Rs. 2,684,543,592/- (1,435,982,230+1,248,561,362) is held irregular and needs justification.

The lapse occurred due to financial mismanagement.

When pointed out during September 2019, it was stated that the funds released by Accountant General's Office to the designated account are automatically booked as expenditure. However actual expenditure was periodically reported to Transport Department. Reconciliation was also carried out with the Finance Department in April 2019, the reply was not satisfactory.

The closing balances were required to have been intimated to the Finance Department also sanction for their revival obtained.

Audit requested the department for holding the DAC meeting vide letter dated 28-10-2019. However, no DAC was convened till finalization of this report.

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

**AP 137 (2018-19)**

**(ANNEX-A) MFDAC**

S.NO	AP NO.	YEAR	DEPARTMENT	AMOUNT (Rs)	SUBJECT
1.	26	2018-19	Xen PHE Nowshara	922,822	Irregular award of contract
2.	32	2018-19	Do	624,713	Irregular payment without actual work done
3.	42	2018-19	do	236,628	Un-authorized drawal of conveyance worth Rs.236,628
4.	43	2018-19	do	140,600	Over payment due allowing higher rate of adhoc relief allowance worth Rs.140600
5.	45	2018-19	do	650,000	Un-justified cash payment amounting toRs.650000
6.	47	2018-19	do	-	Loss of millions of rupees due to illegal occupation of irrigation land
7.	20	2018-19	Xen irrigation Div: N o.01 Swabi	850,000	Non deduction of testing charges Rs.850000
8.	21	2018-19	do	634,983	Loss due to non utilization of available earth Rs.634983
9.	23	2018-19	do	941350	Non accountal of store items valuing Rs.941350
10.	24	2018-19	do	797,738	Wasteful expenditure on repair abundant schemes Rs.797738
11.	25	2018-19	do	218,325	Loss sustained by the public exchequer due to claiming excess quantity of work Rs.218325
12.	254	2017-18	Xen C&W Dir lower	208,000	Suspected misappropriation of account of re-handling of gravel work under AM&R worth Rs.207894
13.	259	2017-18	Xen C&W Dir lower	141,000	Overpayment to various contractors due to non deduction of voids from the item of work lay stone boulders dry hand packed Rs.141346
14.	319	2017-18	Xen H/Way Div: pesh	253,000	Loss due to application higher rates Rs.252,613

15.	28	2018-19	Do	999,366	Non recording of debit entry on payment to contractor fro 2 <sup>nd</sup> deposit.
16.	29	2018-19	Do	594,323	Loss due to application higher rates Rs.594323
17.	271	2017-18	Emergency Rural Road Rehabilitation Project	794,591	Non-Recovery of Income Tax from Contractor
18.	26	2019-20	PD plantation Sangbhatti mardan	916,760	Irregular expenditure of Rs.916,760
19.	23	2019	Do	645,000	Doubtful expenditure of Rs.645,000 on account of repair tractors
20.	14	2019	Do	450,000 300,000	Non recovery of laptops from the project staff amounting of Rs450000 & missing of store of Rs.300,000
21.	11	2019-20	Do	840,000	Suspected mis-appropriation of Rs.840,000/- due to missing of store
22.	08	2017-19	DFO Dir Kohistan at Sheringal	225,500	Non deposit of fine received from compensation cased worth Rs.225500/-
23.	09	2017-19	Do	103,964	Non deduction of 5% maintenance charges from occupants of Govt accommodation Rs.103964
24.	14	2017-19	Do	155,000	Un-authorized payment on account of reward Rs.0.155 million
25.	50	2018-19	Dg Excise, Taxation & Narcotics Control, Kp	528,977	Irregular expenditure of Rs. 528,977/- on account of reimbursement of investigation cost
26.	51	2018-19	-DO-	466,382	irregular expenditure of Rs.466,382/-
27.	52	2018-19	-DO-	350,473	irregular expenditure of Rs.350,473/- on account of traveling allowance

28.	54	2018-19	-DO-	64,800	un-authorized expenditure of Rs, 64800/- on account of reimbursement of investigation cost
29.	55	2018-19	-DO-	99,088	irregular expenditure of Rs..99088/- on account of printing publication.
30.	46	2018-19	DG KPPRA	288,080	Irregular payment of Rs..288,080/- on account of TA.
31.	47	2018-19	-DO-	132,200	un-authorized provision of vehicles to assistant collector
32.	44	2018-19	-DO-	723,939	Un-authorized expenditure of Rs. 723,939/- on account of medical reimbursement
33.	34	2018-19	Dir Science & Tech	775,200	loss due to payment of rent of store
34.	40	2018-19	Chief Minister Secretariat, KP.	925,000	Unjustified expenditure on account of hot and cold whether charges
35.	41	2018-19	-do-	923,000	Unauthorized expenditure due to payment of previous years liabilities
36.	42	2018-19	-do-	361,000	Misappropriation on account of repair of transport
37.	43	2018-19	-do-	192,000	Unauthorized expenditure on account of repair of transport
38.	03	2018-19	Planning and Development Department, KP.	979,000	Overpayment to contractor
39.	11	2018-19	-do-	990,000	Unauthorized/irregular drawl of salary from project fund
40.	14	2018-19	-do-	120,000	Non-recovery of conveyance allowance
41.	21	2018-19	-do-	398,000	Irregular appointment of GIS analyst and irregular payment of Rs.0.398 million
42.	22	2018-19	-do-	372,200	Irregular procurement of computer equipments of Rs..372,200/- due to limited warranty by the supplier

43.	59	2018-19	Establishment and Administration Department, KP.	730,000	Loss due to illegal occupation of room at Khyber Pakhtunkhwa House, Islamabad.
44.	61	2018-19	-do-	140,000	Overpayment due to non-deduction of conveyance allowance
45.	63	2018-19	-do-	532,000	Unauthentic payment on account of arrears of electricity charges
46.	64	2018-19	-do-	197,000	Unauthentic payment on account of arrears of Sui Gas charges
47.	65	2018-19	-do-	194,000	Loss due to less deduction of income tax and non-deduction of professional tax from the contractors
48.	48	2017-18	Abdul wali khan university Mardan	463,080	Excess payment of Rs.463080 due purchase of items at higher rate instead of lowest approved rates
49.	177	2017	VC Agriculture university pesh	818,000	Over payment on account of salary to assistant professor. TTS RS.0.818 million
50.	173	2017	Do	641,000	Overpayment on account of conveyance allowance Rs.0.641 million
51.	502	2017	Islamia college university	616,659	Less deduction of income tax worth Rs.616,659
52.	618	2017	University of Swat	450,942	Non recovery of pay official on premature resignation Rs.450,942

**Annexure-I  
(DP 12.4.7)**

**STATEMENT SHOWING THE DETAILS OF CONVEYANCE AND  
HOUSE RENT ALLOWANCE**

**(Rs.)**

<b>Name of official</b>	<b>Designation</b>	<b>Conveyance allowance</b>	<b>House rent allowance</b>	<b>Total</b>
Imtiaz Ahmed	Sub Engineer	5,000	0	5,000
Abdul Shakoor	Computer Operator	5,000	0	5,000
Fahad Khan	Canal Inspector	1,932	0	1,932
Kaleemullah	RR driver	1,932	0	1,932
Musif Khan	Chowkidar	1,785	0	1,785
Murtaza Khan	Patwari	1,932	0	1,932
Lal Zada	Patwari	1,932	0	1,932
Sultan Haider	Signallor	1,932	0	1,932
Mrs Sultana Naaz	Sweeper	1,785	0	1,785
Amir Rehman	Sweeper	1,785	0	1,785
Waseem Mohammad	N.Q	1,785	0	1,785
Fazli Rabbi	Chowkidar	1,785	1,458	3,243
PHLC		0	0	0
Fateh Mohammad	Patwari	1,932	0	1,932
Abdul Azeem	NQ	1,785	942	2,727
Anwar Habib	NQ	1,785	942	2,727
	<b>Total</b>	<b>34,087</b>	<b>3,342</b>	<b>37,429</b>
		<b>37429 x 12 x3=1347444</b>		

**Annexure-II**  
**(DP 18.4.3)**

**STATEMENT SHOWING DETAILS ON NOT COMPOUNDING THE INTEREST**

S.No	Date	Days	Amount	Interest Rate	Total Interest	Interest Paid	Interest Due
1	27.03.2018 to 9.4.2018	13	500,000,000	5.60%	997,260	997,260	0
2	10.4.2018 to 26.04.2018	17	997,260	5.60%	2,868,326	2,608,219	260,107
3	27.4.2018 to 29.05.2018	33	2,868,326	5.60%	12,895,187	7,594,521	5,300,666
4	30.05.2018 to 13.6.2018	13	12,895,187	5.60%	11,980,573	2,592,877	9,387,696
5	14.6.2018 to 14.08.2018	61	11,980,573	5.60%	52,156,324	11,230,685	40,925,639
6	15.08.2018 to 27.08.2018	13	52,156,324	5.60%	40,348,989	2,379,185	37,969,804
7	28.08.2018 to 04.09.2018	7	40,348,989	5.60%	16,990,506	1,173,702	15,816,804
8	05.09.2018 to 06.09.20018	22	16,990,506	5.60%	24,283,547	3,351,244	20,932,303
9	17.09.2018 to 27.09.2018	1	24,283,547	5.60%	1,511,110	151,231	1,359,879
10	28.09.2018 to 23.10.2018	26	1,511,110	5.60%	5,733,274	3,533,098	2,200,176
11	24.10.2018 to 25.10.2018	2	5,733,274	7.35%	1,195,730	352,939	842,791
12	26.10.2018 to 28.10.2018	3	1,195,730	7.35%	789,116	525,457	263,659
13	29.10.2018 to 11.11.2018	13	789,116	7.35%	2,769,198	2,015,198	754,000
14	12.11.2018 to 14.11.2018	2	2,769,198	7.35%	676,829	269,757	407,072
15	15.11.2018 to 29.11.2018	15	676,829	7.35%	2,742,193	1,995,989	746,204
16	30.11.2018 to 04.12.2018	5	2,742,193	7.35%	1,522,058	514,302	1,007,756
17	05.12.2018 to 10.12.2018	7	1,522,058	8%	1,554,682	702,330	852,352
<b>Total</b>					<b>139,026,908</b>	<b>41,987,994</b>	<b>181,014,902</b>

**Annexure-III**  
**(DP 18.4.11)**

<b>S. No</b>	<b>Cheque No &amp; Date</b>	<b>Details</b>	<b>Amount Rs.</b>
1	482349 / 25.06.2018	Income Tax of BRT	60,000,000
2	482353 / 28.06.2018	Income Tax of BRT	2,699,012
3	482354 / 28.06.2018	Income Tax of BRT	881,208
4	482355 / 28.06.2018	Income Tax of BRT	913,542
5	482356 / 28.06.2018	Income Tax of BRT	10,306,965
6	482357 / 28.06.2018	Income Tax of BRT	110,653,833
7	482358 / 28.06.2018	Income Tax of BRT	1,334,500
8	482359 / 28.06.2018	Income Tax of BRT	14,726,445
9	482361 / 28.06.2018	Income Tax of BRT	10,000,000
11	482366 / 28.06.2018	Sale Tax of BRT	29,232,173
12	482367 / 28.06.2018	Income Tax of BRT	7,387,089
13	482368 / 28.06.2018	Income Tax of BRT	679,548
14	482372 / 28.06.2018	Income Tax of BRT	126,913,227
15	31894347 / 28.08.2018	Income Tax of BRT	100,000,000
16	31894349 / 28.08.2018	Income Tax of BRT	100,000,000
17	485294 / 25-09-2018	Income Tax of BRT	56,849,036
18	485295 / 25-09-2018	Income Tax of BRT	10,019,665
19	485296 / 25-09-2018	Income Tax of BRT	2,303,418
20	160062919 / 25-09-2018	Income Tax of BRT	30,827,881
21	31894357 / 30-11-2018	Income Tax of BRT	100,000,000
22	31894367 / 28-12-2018	Income Tax of BRT	150,000,000
<b>Total</b>			<b>925,727,542</b>

**Annexure-IV  
(DP 18.4.20)**

**DETAIL OF POL CHARGED TO PIU BRT PROJECT**

<b>S.No.</b>	<b>Period</b>	<b>Voucher No.</b>	<b>Date</b>	<b>Amount Rs.</b>	<b>POL Used On</b>
1	Nov-18	1844/154	7.1.2019	361,656	Tankers
2	May-18	12/160	2.7.2018	860,212	Tankers
3	Jun-18	313/199	7.8.2018	901,222	Tankers
4	Oct-18	1434/103	31.11.2018	673,327	Tankers
5	Sep-18	1135/68	2.11.2018	705,948	Tankers
6	Aug-18	701/013	2.10.2018	1,021,468	Tankers
7	Jul-18	525/228	7.9.2018	625,730	Tankers
8	Jan-19	2716/31	19.3.2019	547,195	Tankers
9	Mar-19	3082/71	2.5.2019	330,095	Tankers
10	Apr-19	3229/86	27.5.2019	152,261	Tankers
11	Dec-18	2107/186	4.2.2019	656,072	Tankers
12	Feb-19	110/55	1.4.2019	302,576	Tankers
<b>Total</b>				<b>7,137,762</b>	