



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

**AUDIT YEAR 2020-21**

**AUDITOR GENERAL OF PAKISTAN**

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## ABBREVIATIONS AND ACRONYMS

AIR	Audit and Inspection Report
AP	Advance Para
PAC	Public Accounts Committee
DAC	Departmental Accounts Committee
APPM	Accounting Policy and Procedure Manual
AG	Accountant General
BHUs	Basic Health Units
CPWA	Central Public Works Account
BOQ	Bill of Quantity
MB	Measurement Book
PC-I	Planning Commission Proforma-I
TS	Technical Sanction
MRS	Market Rate System
ADP	Annual Development Plan
IMU	Independent Monitoring Unit
MFDAC	Memorandum for Departmental Accounts Committee
DHO	District Health Officer
HPA	Health Professional Allowance
HRA	House Rent Allowance
PAO	Principal Accounting Officer
INTOSAI	International Organization of Supreme Audit Institutions
AD LGE &RDD	Assistant Director Local Government Elections & Rural Development Department
LGA	Local Government Act
DO	District Officer
DDEO	Deputy District Education Officer
SDO	Sub Divisional Officer
BISE	Board of Intermediate and Secondary Education
TT	Theology Teacher

PET	Physical Education Teacher
CT	Certified Teacher
VCs/NCs	Village Councils and Neighborhood Councils
PESCO	Peshawar Electricity Supply Company
TAC	Tehsil Accounts Committee
TMO	Tehsil Municipal Officer
KPPRA	Khyber Pakhtunkhwa Public Procurement Regularity Authority
TOR	Terms of Reference

## **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's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section-37 of Khyber Pakhtunkhwa Local Government Act 2013 require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of Local Governments of each District of the Khyber Pakhtunkhwa.

The report is based on audit of the accounts of offices of District Government Orakzai for the financial year 2019-20. The Director General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit during 2020-21 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of the audit report includes systemic issues and significant audit findings. Relatively less significant issues are listed in Annex-1 of the Audit Report. The audit observations listed in Annex-1 shall be pursued with the Principal Accounting Officers at the DAC. In all cases where Principal Accounting Officers do not initiate appropriate action, the audit observations will be brought to the notice of appropriate forum 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.

Some the observations included in this report were finalized in the light of written replies of the departments whereas in most of the cases departments did not submit written replies till finalization of this report. DAC meeting were also not convened despite reminders.

The Audit Report is submitted to the Governor, Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 37 of Khyber Pakhtunkhwa Local Government Act, 2013, (amended in 2019) for laying before the appropriate legislative forum.

Islamabad

Dated:

**(Javaid Jehangir)**  
**Auditor General of Pakistan**

## **EXECUTIVE SUMMARY**

The Directorate General Audit District Governments, Khyber Pakhtunkhwa carries out the audit of Local Governments in 35 districts of Khyber Pakhtunkhwa. Regional Directorate of Audit (RDA) Kohat on behalf of the DG Audit District Government, Khyber Pakhtunkhwa carried out the audit of audit of Local Government of three districts namely; Kohat, Karak, Hangu, Orakzai and Kurram.

This office is mandated to conduct regularity audit (financial attest audit and compliance with authority audit), performance audit and special studies.

Local Governments of District Orakzai consist of three tiers which perform their operations under Khyber Pakhtunkhwa Local Government Act 2013(amended in 2019). Financial provisions of the Act describe the Local Consolidated Fund and Public Account for which annual Budget Statement is approved by the respective councils in the form of budgetary grants. Top Tier- the District Government comprises one Principal Accounting Officer (PAO) i.e. Deputy Commissioner for the District Government, who is officer in charge (Administrator) of 54 devolved departments including AD Local Government Election & Rural Development Department. The second Tier- Tehsil Municipal Administrations have one PAO i.e Tehsil Municipal Officer (Administrator) for each administration. There are two Tehsil Municipal Administrations in district Orakzai. The third Tier-village and neighborhood Councils have AD LGE & RDD as Principal Accounting Officer (Administrator) for these councils. However the third tier of government regarding Neighborhood Councils and Village Councilshavenot been define.

### **a. Scope of audit**

This office is mandated to conduct audit of 54 formations working under 03 PAOs. Total expenditure of these formations were Rs. 1,855.546 million for the financial year 2019-20.

Audit coverage relating to expenditure for the current audit year comprises 04 formations of 01 PAOs having a total expenditure of Rs. 1,363.215 million for the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 73.46 % of auditable expenditure.

In addition to this compliance audit report, Directorate of District Audit conducted Financial Attest audits, Performance Audits and special Studies for which reports are being published separately.

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

As a result of audit, a recovery of Rs 3.145 million was pointed out in this report. No recovery was affected till finalization of this report.

**c. Audit Methodology**

Audit was conducted according to INTOSAI guidelines for compliance audit and Financial Audit Manual of AGP.

Audit procedure employed to obtain evidence were inspections, analytical procedures, observations and computations.

**d. Audit Impact**

As result of Audit no substantial impact was noticed as the management did not convene the DAC meeting. The departments failed to implement corrective measures in shape of financial management and to establish effective internal control system. Therefore irregularities noticed during the current audit were of identical nature as pointed out during the preceding years.

**e. Comments on Internal Control and Internal Audit department**

Internal control is designed to address risks and to provide reasonable assurance that, pursuit of entity's mission, its objectives are being achieved.

Comments on five components of internal control are given below:

The organizational structure followed in the local Government Offices was according to the LGA 2013 (amended in 2019)

No activity i.e. risks identification, risk evaluation and appropriate responses were carried out in the local government.

Accounts were not reconciled with the DAO by TMAs. No review was carried out of the performances.

Internal and external communications followed Government instructions. However, TMAs did not follow the accounting procedure given in the APPM.

No system of monitoring was found to track the progress of District Government towards its objectives. No internal Auditor was appointed. Annual Review of internal control was also not carried out.

**f. Key Audit Findings of the Report**

- i. Non compilation/consolidation of accounts of Local Governments- Rs14.644 million<sup>1</sup>
- ii. Unauthorized payments to DDOs instead of crossed cheques to vendors - Rs 60.757 million<sup>2</sup>
- iii. Unverified payments on account of arrears of pay and allowances- Rs53.599 million<sup>3</sup>
- iv. Non-production of record.<sup>4</sup>
- v. Irregularity & Non-compliance were noticed in 23 cases amounting to Rs 838.536 million<sup>5</sup>
- vi. Value for money & Service delivery issue were noticed in three cases amounting to Rs5.673 million<sup>6</sup>

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<sup>1</sup> Para 1.2.1

<sup>2</sup> Para 1.2.2

<sup>3</sup> Para 1.2.3

<sup>4</sup> Para 2.5.1.1

<sup>5</sup> Para 2.5.2.1 to 2.5.2.23

<sup>6</sup> Para 2.5.3.1 to 2.5.3.3



Minor irregularities/ internal control weaknesses pointed out during the audit are being pursued separately with the authorities concerned, as detailed in Annex-1.

**g. Recommendations**

- i. TMA accounts needs to be consolidated at DAO level.
- ii. Action may be taken against those responsible for not producing record before audit.
- iii. Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- iv. Strenuous efforts need to be made by the departments to recover long outstanding dues on account of water charges.
- v. Departments need to strengthen internal controls i.e. financial, managerial, operational, administrative and accounting controls etc. to ensure that lapses of the kind reported in this audit report are pre-empted and fair value for money is obtained from public spending.

# **CHAPTER-1**

## **Public Financial Management**

### **1.1 Sectoral Analysis**

#### **Introduction**

After promulgation of Local Government Act, 2013 (amended in 2019), Local Government elections were held in 2015, which resulted in formation of three tiers of government in each district of Khyber Pakhtunkhwa. On the expiration of tenure of the district councils, tehsil councils and village and neighborhood councils in the province, Local Government, Election and Rural Development department in its notification dated 4<sup>th</sup> September, 2019 authorized the DCs, TMOs and Assistant Directors Local Government and Rural Development Department to perform functions of respective Nazameen under local Government Act 2013, till formation of new elected local Government.

In the light of LGE&RDD's notification dated 4<sup>th</sup> September, 2019 District Orakzai is headed by Deputy Commissioner who is Principal Accounting Officer of the budget grant allocated to the 08 offices devolved at district level. Similarly, Town Municipal Administration is headed by Town Municipal Officer who is the Principal Accounting Officer for the Town Municipal Administration whereas Assistant Director LGE&RDD is the Principal Accounting Officer for Village/Neighborhood Councils.

In District Orakzai, funds amounting to Rs 1864.73 million were allocated to 54 formations working under 03 PAOs. Out of which, expenditure of Rs.1840.902 million was made resulting into saving of Rs 23.170 million. Audit coverage relating to expenditure for the current audit year comprises 04 formations of 01 PAOs having a total expenditure of Rs 1363.215 million for the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 72.56 % of auditable expenditure.

According to Section 36(3) of Local Government Act 2013, the District Accounts Officer was required to consolidate accounts of Local Government on quarterly and annual basis. However, District Accounts Officer, Orakzai did not reflect Rs. 14.644 million into the consolidated financial statement of Local Government, Orakzai.

District Government, Orakzai was found lagging behind in many areas envisioned as integral component of the Local Government in the Khyber Pakhtunkhwa Local Government Act 2013 (amended in 2019). The District Government could not establish & maintain Public Fund account as required under section 30 of LGA 2013 (amended in 2019). Similarly, it also failed to prepare, present and approve the budget estimates of receipts from district council for District Government, Orakzai as required under section 18 of LGA 2013. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Orakzai with prescribed format and necessary trainings to compile the accounts of TMAs and Village/Neighborhood councils and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal Audit function could not be established as provided in sub section 4 of section 37 of LGA 2013 (amended in 2019), as internal auditors were not posted in the District and Tehsil Councils. In addition, Asset management by District Government was yet another area it could not address as required under section 38 of the LGA 2013 (amended in 2019).

The Local government provided services in the following sectors.

### **Education**

The education sector is one of the major sectors devolved at district level. Funds to the tune of Rs 1186.959 million were provided to elementary & secondary education headed by District Officer. Expenditure of Rs 1193.401 million was incurred, out of which expenditure of Rs 809.620 million was audited, thus 67.84% of expenditure was audited.

Statistics show that there are 246 primaries, 32 middle, 04 higher secondary and 30 high schools including 01 model school in District Orakzai. The estimated Teacher Student Ratio is 1:43 at primary, 1:68 at middle, 1:29 at secondary and 1:25 at the level of higher secondary schools. District Orakzai literacy rate is 32.11% the Gross Enrollment Rate (GER) is 53%, and the Net Enrollment Rate (NER) is 41% at the primary level. On budgetary front, District Education office, Orakzai succeeded in spending 90.00% of District ADP and 97.5% of non-salary budgets.

District Education Offices in Orakzai were given target of enrolment of 40000 children for current year against which 36516 kids, annual average of teacher's attendance rate and student attendance rate as per independent Monitoring Unit (IMU) data were approximately 91% & 79% respectively. Furthermore, 74% schools in district Orakzai were provided with all basic facilities like classrooms, water supply, group latrine, boundary walls and electrification. However, administrative visits of DEO, DDEO and SDEO were only 31.77% against the assigned targets.

### **Health**

Health is another important sector of District Orakzai, devolved at district level. Funds to the tune of Rs 389.862 million were provided to health department headed by District Officer Health. Expenditure of Rs 390.185 million was incurred. Health department Orakzai consist of 64 health facilities spread across the district, among which 08 are urban while the rest are rural based. Their further break-up is 26 BHUs, 29 CDs, 5 MCHs, 3 type Ds and 1 RHC with the total catchment area population of approximately 254,356 as per survey carried out by Health department in 2020.

The Department of Health has established an "Independent Monitoring Unit" for continuous monitoring of the performance of health facilities through its field based Data Collection Assistants and District Monitoring Officers. Department twice examines data collected through various sources to improve efficiency and effectiveness in the business processes of service delivery.

On mother and child health care front, 3,410 babies were born with 1480 and 1930 in primary and secondary health facilities respectively. Out of them, no infant maternal deaths were recorded. Lab investigations and diagnostic facilities were also fully utilized as 7250 lab tests, 1567 X-rays/ 35ultrasounds and 64 ECGs were done in primary and secondary health facilities in district Orakzai. Figures of immunization from EPI register were also both very impressive as 3807 pregnant women received TT-2 vaccines, 2015 kids under 12 months received full immunization, 2640 children under 12 months received 1st measles vaccines and 3018 kids under 12 received 3rd pentavalent vaccine. 1162 families were provided family planning services as evident from FP register. Human resource data from facility records revealed that these health facilities were amply provided with medical officers and paramedics as only very few positions were found vacant. As these facilities were frequently visited by patients so they also generated good revenue from OPD services, indoor patients' treatment and other lab investigations etc.

### **Social Welfare**

Funds to the tune of Rs 13.294 million were allocated to Social Welfare and Women Empowerment sector in district orakzai, against which expenditure of Rs 12.066 million was mad. Audit of the social welfare is planned in the 2nd phase of audit plan. Budgetary allocations were focused on providing social cushion to the deprived and marginalized segments of society especially, women and children. In the proposed development plan, the department had continued to proceed with its ongoing projects which included schemes for the wellbeing and safeguarding of destitute women, orphans, beggars, drug addicts and special persons.

### **Municipal Services**

Town Municipal Administrations upper and lower Orakzai was newly established with grant of 14.644 million in the year 2019. Town Municipal Administration did not fulfill some primary requirements envisioned as integral component of Local Government in the Khyber Pakhtunkhwa Local Government

Act, 2013 (amended in 2019). The Local Government could not establish & maintain Tehsil Public Fund Account as required under the section 30 of LGA. Similarly, Town Account Officers were not appointed in TMAs. The accounts of receipt and expenditure were also not maintained in such form as prescribed by Auditor General of Pakistan and required under section 36 of LGA. Financial Statements, Finance Account and Appropriation Accounts of the TMAs were not prepared accordingly. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Orakzai with prescribed format and necessary trainings to compile the accounts of TMAs and then reflect the same in the consolidated financial statement of the district, which resulted in disclaimer of its accounts by the Auditor General of Pakistan. Moreover, Internal Audit function could not be established as provided in sub section 4 of section 37 of LGA 2013, as internal auditors were not posted in the TMAs to support the Council. In addition, Asset management by tehsil councils was yet another area it could not address as required under section 38 of the LGA 2013(amended in 2019).

## **1.2 AUDIT PARAS**

### **1.2.1 Non compilation/consolidation of accounts of Local Governments- Rs14.644 million**

According to section 36(3) of 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 the Government, Accountant General and Nazim District Council.

During certification audit of the accounts of the DAO Orakzai for the financial year 2019-20, audit observed incompleteness and incorrect presentation of the financial statements as the DAO failed to consolidate into the quarterly and annual accounts of the district, the Government and local resources, as required under section-36(3) of the Local Government Act, 2013. Receipts and expenditure of Rs14.644 million and Rs14.644 million respectively, of the TMAs are not reflected in accounts.

Same is the case with the receipts and expenditure of the VCs/NCs, the figures of which were not available at the time of audit.

Provisions of the Local Government Act 2013 by Local Governments in District Orakzai were not complied.

Due to non-consolidation of accounts of TMAs and VCs/NCs the financial statements of local Government remained incomplete which led to disclaimer of audit opinion.

Necessary action needs to be taken for the consolidation of Local Government Accounts into District Accounts.

### **1.2.2 Unauthorized payments to DDOs instead of crossed cheques to vendors - Rs60.757 million**

According to 2.3.2.8 of APPM, the accounting system shall improve controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/ vender concerned) instead of payment through DDOs.

According to Finance Department Letter No: BO (W&M) /6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

District Accounts Officer Orakzai, paid Rs60,757,000 to various DDOs instead of issuance crossed cheques to Vender/Payees Accounts.

Unauthorized issuance of cheques to DDOs occurred due to weak internal control which leads to disclaimer of audit opinion.

The matter should be investigated and regularized by ensuring payments to the supplier/vendor instead of DDOs as per APPM.

### **1.2.3 Unverified payments on account of arrears of pay and allowances- Rs53.599million**

According to Para 296 of CTR read with Para 75(2) of KP City & District Govt. Budget Rules 2016, the controlling officer shall be responsible for seeing that the expenditure included in the bills, are of obvious necessity and are at fair and reasonable rates. Sanction and the requisite vouchers are all received and in order. The calculation is correct and the grants have not been exceeded over allotment.

During certification Audit of Orakzai for the year 2019-20 while analyzing HR data it was noticed that arrears of pay and allowances of Rs53,599,000 was shown made which could not be verified.



Payments of arrears of pay and allowances without supporting documents led to unfair and un-true financial statements which lead to disclaimer of audit opinion.

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

## **CHAPTER-2**

### **District Governments**

#### **2.1 Introduction**

Under the Khyber Pakhtunkhwa Local Government Act 2013, (amended in 2019) activities of District Government are managed through offices of Deputy Commissioner and District Officers. Each department of the Districts is headed by a District Officer (DO). According to the Rules of Business of District Government 2015, work of the district departments is distributed among the officers, branches, and/or sections in the district departments. Deputy Commissioner is the Principal Accounting Officer for all the devolved departments of the district which includes District Officers Agriculture, Education, Health, Fisheries, Population Welfare, LGE & RDD, Sports, Animal Husbandry, Soil Conservation, and Cooperative Society & Social Welfare.

According to section 13 of the Khyber Pakhtunkhwa Local Government Act 2013, (amended in 2019) the authority and responsibilities of the District Government have been given as under:

(1) The authority of district Government shall comprise the operation, management and control of offices of the departments which are devolved to it; provided that district Government shall exercise such authority in accordance with general policy of Government.

(2) Every order in district Government shall be expressed to be made in the name of the district Government and shall be executed by a duly authorized officer.

(3) The district Government shall be responsible to the people and the Government for improvement of governance and delivery of services within the ambit of authority devolved to it.

**Detail of audit planned formations expenditure and receipts:**

<b>Sr No</b>	<b>Description</b>	<b>Total Nos</b>	<b>Audited</b>	<b>Expenditure audited FY 2019-20 (Rs in million)</b>	<b>Revenue /Receipts audited FY 2019-20 (Rs in million)</b>
1	Formations	54	4	1,363.215	Nil

**2.2 Comments on Budget and Accounts (Variance Analysis)**

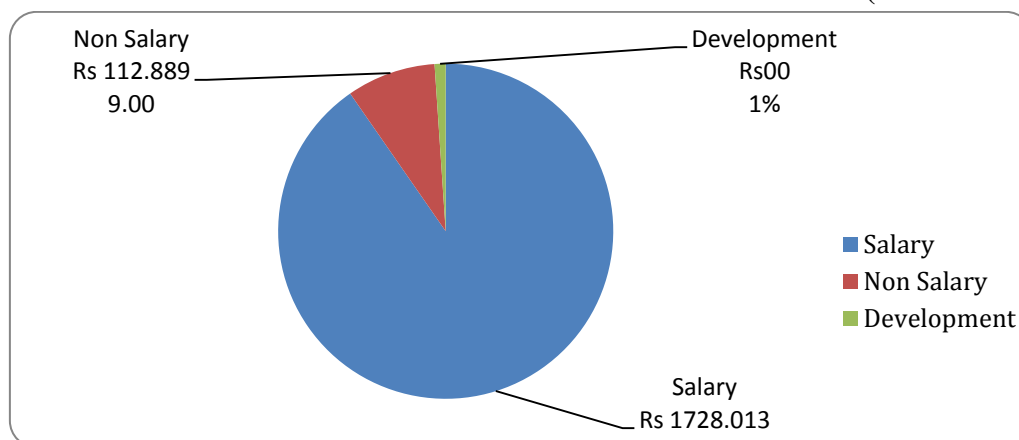
(Rs in million)

<b>District Government Orakzai</b>				
<b>2019-20</b>	<b>Budget</b>	<b>Actual Expenditure</b>	<b>(Saving)/Excess</b>	<b>%age</b>
Salary	1713.948	1728.013	14.065	0.82
Non-Salary	150.125	112.889	-61.639	35.31
Developmental	0	0	0	
<b>Total</b>	<b>1864.073</b>	<b>1840.902</b>	<b>-47.574</b>	<b>(2.51)</b>
<b>Receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The savings of Rs 61.639 million indicates inefficiency in the capacity of Local Government Departments to utilize the amount allocated.

## EXPENDITURE 2019-20

(Rs in million)



### 2.3 Classified Summary of Audit observations

Audit observations amounting to Rs844.212 million were raised as a result of this audit. This amount also included recoverable of Rs 3.145 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No.	Classification	Amount (Rs)
1	<b>Irregularities</b>	
A	HR/Employees related irregularities	422.987
B	Procurement related irregularities	396.428
C	Management of Accounts with commercial bank	19.121
2	Value for money and service delivery issues	5.676
<b>Total</b>		<b>844.212</b>

### 2.4 Comments on the status of compliance with District Accounts Committee Directives

It is the first audit of District Audit. Hence audit reports pertaining to previous years do not exist.

## **2.5 AUDIT PARAS**

### **2.5.1 Non Production of record**

#### **2.5.1.1 Non-production of auditable record**

According to Section 14 (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 the Auditor General of Pakistan shall have access to all the books and documents pertaining to the accounts and may also examine any public servant or premises of the Local Government concerned.

District Education Officer Orakzai during year 2019-20, failed to produce the following auditable record to audit for scrutiny, despite written / verbal requests as detailed below:

1. Appointment record ( Appointment against deceased quota and appointments of teachers through NTS )
2. Main Stock Registers.
3. Service Books newly appointed teachers and class IV.
4. Detail of Community School (Staff Strength, their appointment, budget, expenditure and regularization of teaching staff).
5. Detail of staff on derailment.
6. Reconciled Receipt Statement for Shaheen Fund, Scout Fund & Hilal-e-Ahmar fund.
7. Physical Verification report of purchases made during the year.
8. Detail of inquiries conducted / pending.

Non production of record was occurred due to weak internal control, which resulted in to violation of rules.

When reported in October 2019, management did not replied to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Matter is reported for conducting inquiry besides production of record and action against person (s) at fault.

**AIR 2019-20 Para-14**

## 2.5.2 Irregularities

### A. HR/Employees related irregularities.

#### 2.5.2.1 Irregular drawl of Pay and Allowances-Rs 218.185 million.

According to Para 4.6.3.1 of Accounting Policies and Procedure Manual, the normal method of payment of monthly salaries of all government employees shall be by credit transfer direct to a bank account nominated by the employee. This is the most secure and economical method of payment and it automatically ensures that recipients have access to their salary on the due date. Moreover, direct credit has tangible advantages, over payment by cheque or cash, against risks of theft or fraud.

District Health Officer Orakzai drew a sum of Rs 218,184,990 from Government treasury on account of Pay and Allowances and made cash payments to the project employees instead of payment through bank accounts violating government instructions. APR was not obtained and in absence of APR chances of misappropriation could not be ruled out. Detail is given below.

Object Head	Total Expenditure	DDO Code
Establishment Charges	396,000	Oi 5040
---do---	396,000	---do---
---do---	1,056,000	---do---
---do---	14,619,900	---do---
---do---	604,800	---do---
---do---	199,381,000	---do---
---do---	1,650,000	---do---
---do---	81,290	---do---
<b>Total</b>	<b>218,184,990</b>	

Irregularity occurred due to weak internal control which resulted into irregular payment.

When reported in July 2019, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 01.08.2019, which could not be convened till finalization of this report.

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

#### **AIR 2019-20 Para-01**

#### **2.5.2.2 Irregular retention & Blockage of Govt. money in Bank Account Rs.3.269 million.**

According to clause-2 of Finance Department Government of KPK circular No. 2/3(F/L)/FD/ 2016/ Vol-X dated 14.07.2017, it has come to the notice of the Government of Khyber Pakhtunkhwa that most of the Drawing and Disbursing Officers of the Departments/Offices/Bodies/Organizations in Khyber Pakhtunkhwa have kept substantial amount of Government in various Banks without any valid authority and approval of Government which is violation of Para-66,95,96 of GFR Vol-I and Rule-290 of FTR where budget is appropriated for current financial year only which is a serious irregularity and misappropriation of Government money. According to sub-clause-ii of the above-mentioned circular, no fund should be kept in any Bank account by any Drawing and Disbursing Officer unless expressly authorized by Finance Department. Such funds lying in Banks should be drawn and credited to Government Treasury immediately except where Departments/Offices/Bodies/Organizations facilities have been specifically permitted under some Statute/Act.

Reference to Finance Department letter No. 2/3(F/L)/FD/2016/Vol-XI dated 26.06.2018, since current financial year 2017-18 closes on 30<sup>th</sup> June 2018, hence it is imperative to reconcile the closing balances in all designated bank accounts with Finance Department latest by 7<sup>th</sup> July each year along with duly verified bank statement for 2017-18. This reconciliation process per-se the rules & instructions already invoked shall be prime responsibility of each PAO, Controlling authority & DDO in respect of bank accounts falling under their preview. Moreover, balance in the bank accounts if any, remaining on 30<sup>th</sup> June,



shall not be available for use without its prior revival by Finance Department KP for the next financial year.

District Education Officer Orakzai retained huge amount of Government money in designated banks accounts amounting to Rs 3,269,282 on 30<sup>th</sup> June, 2020 in violation of Finance department instruction.

Irregularity occurred due to non-observance of Government rules and orders which resulted in to un-authorized of retention of government money.

When reported in October 2020, management did not replied to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Audit recommends detail inquiry at appropriate level and action against the person at fault.

**AIR 2019-20 (Para 10)**

**2.5.2.3 Loss to government due to non conversion of current bank account into PLS-Rs 6.331 million**

Finance department letter No. 2/3(F/L) FD 20017-18/Vol. ix dated Peshawar the 10<sup>th</sup> February 2014 provides that Finance Department has form time to time allowed/sanctioned Bank accounts in commercial Bank for various Departments/ Autonomous Bodies/Corporations in KP for particular and specific purposes. Now it has been decided that such accounts may be converted to PLS mode and the profit so earned be deposited in Govt. Treasury under relevant head and not later than a week when declared by the concerned bank.

Deputy Commissioner Orakzai retained a huge sum of money amounting to Rs126,614,723 in current account instead of PLS accounts as per the following.

S#	Account No. & Bank	Title of Account	Balance (Rs)
1	4015253135/ NBP Hangu Branch	PA Orakzai	92,062,858
2	4015278823/ NBP Hangu Branch	APA Orakzai	31,667,273
3	4015267666/NBP Baber Mela	PA Orakzai	2,884,592
<b>Total</b>			<b>126,614,723</b>

The balance was remained in bank without interest and government was deprived from the interest money of Rs 6,330,736 as minimum rate of interest i.e. 5%.

The irregularity occurred due to weak internal control which resulted in loss to government.

When reported in July 2020, management did not replied to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.07.2020, which could not be convened till finalization of this report.

Audit recommends detail inquiry and action against the person at fault.

**AIR 2019-20Para-04**

**2.5.2.4 Unverified expenditure on account of Polio Campaign-Rs1.642 million and Rs 690,000 on account of honorarim to lady searchers**

According to Letter No. SO(Accounts)HD/6-4/2018-19/Polio/Vol-I dated: 08.4.2019, issued by Government of KP Home & Tribal Affairs Department regarding mechanism for disbursement of security cost Polio fund i.e. (i) transaction of compensation amount to each police person through their

personal bank account was not provided. (ii) proper record of exact bank account number and amount deposited each month will be maintained at DC/DPO office, which will duly be verified during periodic audit but the same was not provided. (iii) report of transaction to this department will be submitted on the below given format was not available in record.

Name of District	No. Of Police Personnel	Bank account opened	Allowance transfer to bank	Remaining amount not transferred	Reason
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According to Emergency Operations Center, Khyber Pakhtunkhwa dated 13th March 2015, the payment will be released subject to provision of certificate that the security payment has not been taken from any other donor, certificate showing no of personnel taken from the other district, certificate for nonpayment of food charges from any other source, total number of transport hired for security and rationalized rate.

Deputy Commissioner Orakzai paid a sum of Rs 1,642,000 to District Police Officer district Orakzai on account of polio campaign during 2019-20 for disbursement. Audit holds that:

1. APRs/disbursement at the end of each polio campaign was not available in record.
2. No Certificate was provided by the local office that security payment has not been received from any other donor agency.
3. Certificate showing no of personnel deputed and taken from other districts, certificate for nonpayment of food charges from any other source, total number of transport vehicles hired for security and rationalized rate was also not provided.

The lapse occurred due to weak administrative and internal control which resulted into irregular payment.

When pointed out in July, 2020 Management stated that the matter has already been conveyed to DPO Orakzai for production of record.

Request for convening the DAC meeting was made on 30.07.2020, which could not be convened till finalization of this report.

Matter is reported for inquiry and action against the person(s) at fault.

**AIR 2019-20Para-07**

**2.5.2.5 Irregular withdrawal and unnecessary retention on account of Moajib/ lungi Allowance- Rs 29.560 million**

Treasury Rule 290 provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

Treasury Rule 130 states that money may not be withdrawn from the public exchequer without presentation of bills.

Treasury Rule 283 states that the head of an office is personally responsible for the amount drawn on a bill signed by him or on his behalf until he has obtained a legally valid acknowledgement on the office copy of the bill.

Deputy Commissioner Orakzai drew a sum of Rs 29,560,000 from government treasury on account of Moajib/ Lungai Allowance during 2019-20. Audit holds that the amount was withdrawn from Government treasury in lump sum without details and supporting documents and was transferred to bank account. The amount was laying undisbursed till date of audit i.e. July, 2020.

The irregularity occurred due to weak administrative and internal control.

When pointed out in July, 2020 Management stated that the amount is in bank account and no expenditure incurred.

Request for convening the DAC meeting was made on 30.07.2020, which could not be convened till finalization of this report.

The matter is reported for inquiry and action against the person(s) at fault.

**AIR 2019-20 Para-08**

**2.5.2.6 Irregular withdrawal of Parent Teacher Council fund-Rs163.940 million**

According to rule 4B of the Financial Procedure for PTC issued by Finance Department, PTC funds shall be transferred /credited upfront in the bank account of the councils by the respective District Accounts Officers.

According to KPPRA Rules 2014 Chapter II (1) Save as otherwise provided hereinafter and subject to the provisions of rule 10, 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).

According to PTC guidelines, Para-8, ASDEO circle will collect and submit quarterly report of all primary schools in the circle to SDEO while DDEO concerned collect monthly report from middle, high and higher secondary school and submit to DEO for consolidation.

District Education Officer, Orakzai transferred Rs 163,940,000 during 2019-20 to PTC account as per the following details.

S.No	Head	Number of schools	Total Amount	Released	Transferred to PTC
1	Class room repair	186	24,100,000	24,100,000	24,100,000
2	Drinking water	172	43,400,000	43,400,000	43,400,000
3	Group latrine Block	175	34,880,000	34,880,000	34,880,000
4	Boundary Wall	40	48,000,000	48,000,000	48,000,000
5	Play Area	110	13,560,000	13,560,000	13,560,000
<b>Total:</b>			<b>163,940,000</b>	<b>163,940,000</b>	<b>163,940,000</b>

Audit noticed the following irregularities: -

1. The fund was drawn from government treasury and credited into PTC accounts but detail account was not rendered to the office nor produced to audit.
2. Funds were expended without observing tender process as required under KPPRA Rules 2014.
3. The amount was transferred to PTC account of respective school without having mutation of single school to education department.
4. Income tax amounting to Rs.12,295,500 was not deducted from the expenditure.
5. Transfer of funds to PTC account and construction activities through teaching staff defeat the very purpose of education department. Rule of business has defined the functions of every department/individual and civil work is the responsibility of C&W & Public Health Engineering Department.
6. In absence of technical expertise, any mishaps in construction cannot be ruled out which may cause loss to human life.
7. Funds were released without determining the actual requirement and consulting AIMS data.

The irregularity occurred due to weak internal controls.

When reported in October 2020, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Audit recommends inquiry besides fixing responsibility on person(s) at fault.

**AIR 2019-20 (Para 11)**

### **2.5.2.7 Irregular appointment of staff**

According to clause A(iii) of Notification No. SOS 6(E&AD) 1-3/2007 dated 22.03.2007 issued by Administration Department (Regulation Wing) Govt. of KP, “a Departmental Selection Committee will be bound to recruit employees from BPS 1 to 4 through District Employment Exchange. In absence of District Employment Exchange, the recruitment will be made through Departmental Selection Committee after vacancies have been advertised in newspapers.

Under section 10 (2) of the K.P.K Civil Servants (Appointment, Promotion and Transfer) Rules, 1989, the initial recruitment to posts that do not fall within the purview of the K.P.K Public Service Commission shall be made on the recommendation of the Departmental Selection Committee, after vacancies have been advertised in newspapers

District Health Officer Orakzai during 2019-20, appointed various cadre staff as detailed Annexure-2. Audit observed the following:

1. The posts were not publically advertised.
2. Documentation of recruitment process including application, short listing, marks sheets, merit lists, attendance sheets, selection committee recommendation, medical reports and qualification etc were not available, which made whole the recruitment process suspicious.
3. Documents of the applicants were not verified from the concerned board/University.
4. Deputy Commissioner Approval was not obtained.
5. Recruitment committee was not authorized from the appropriate forum.
6. For class IV appointment employment exchange approval was not obtained.

The irregularity occurred due to weak administrative control which resulted into irregular appointment.

When reported in August 2019, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.08.2020, which could not be convened till finalization of this report.

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

**AIR 2019-20 (PARA 16)**

**B. PROCUREMENT RELATED IRREGULARITIES**

**2.5.2.8 Irregular tender process involving loss of Rs.5.977 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 Government through fraud or negligence on his part.

District Education Officer Orakzai awarded a tender to M/s Raza Traders Malakand for supply of school bags in district orakzai being lowest at the rate of Rs 739 and 549 during 2019-20. The same supplier quoted rates of Rs 559 and 398 to District Education Officer South Waziristan. which clearly shows that tender was awarded at higher rate and resulted in loss to government of Rs.5,977,309 as detailed below;

<b>Item Name</b>	<b>M/s Raza Traders Rate Offered in SWD</b>	<b>M/s Raza Traders Rate Offered in Orakzai</b>	<b>Difference</b>
Schools Bags large for class 6 <sup>th</sup> to 10 <sup>th</sup>	559	739	180
Schools Bags large for class 6 <sup>th</sup> to 10 <sup>th</sup>	398	549	151



Item Name	M/s Raza Traders Offered Orakzai	Raza Rate in	M/s Raza Traders Offered SWD	Raza Rate in	Difference	Quantity	Amount
Schools Bags large for class 6 <sup>th</sup> to 10 <sup>th</sup>	739		559		180	8075	1,453,500
Schools Bags large for class 6 <sup>th</sup> to 10 <sup>th</sup>	549		398		151	29959	4,523,809
<b>Total loss to government</b>							<b>5,977,309</b>

Audit observed that M/s Raza Traders quoted two different rates for the same item which resulted into loss to government.

When reported in October 2019, management did not replied to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Matter is reported for recovery under intimation to audit.

**AIR 2019-20 Para-15**

**2.5.2.9 Irregular and doubtful expenditure on account of “Unforeseen Expenditure”-Rs 18.954 million**

According to Home & TA Department KPK letter No SO (Budget) / HD/ Misc/ 2018 dated 29.01.2020 Special Fund provided as the Principal laid down by supreme Court i.e.

- i. Contingent Register and Cash Book shall be maintained.
- ii. Proper account shall be maintained.

Deputy Commissioner Orakzai during 2019-20 drew a sum of Rs 18,954,000 from government treasury on account of un foreseen expenditure on

simple receipt and deposited in the designated bank account. Audit observed that:

1. Neither cash book was maintained nor separate account for the said fund was maintained.
2. Proper APRs were neither obtained nor signed by DDO etc.
3. All of the payment was made without any criteria/sanction/notification etc and in cash.
4. A sum of Rs 109,000 and Rs 10,092 was paid for entertainment charges in cash without APRs, which seems doubtful.

The irregularity occurred due to weak internal control.

When pointed out in July, 2020 management stated that the observations were noted for necessary compliance.

Request for convening the DAC meeting was made on 30.07.2020, which could not be convened till finalization of this report.

Matter is brought into notice for justification / corrective action under intimation to Audit.

**AIR 2019-20Para-12**

**2.5.2.10 Irregular & doubtful purchase of furniture -Rs. 14.262 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 Government through fraud or negligence on his part.

According to advertisement terms & conditions that tenders were invited through single stage two envelop procedures on the basis of technical evaluation and financial evaluation.

In the office of District Education Officer Orakzai it was observed that District Education Officer, invited tender for purchase of furniture an estimated cost of Rs14,262,100 during 2019-20. The DEO awarded the tender to three different bidders by splitting the tender as detailed below:

- M/s Raza Traders Rs.4,437,700
- M/s Malak Wood Complex Rs.8,907,300
- M/s Madina Traders Rs.917,100

The following irregularities were noticed.

1. Technical & Financial Report of the Purchase Committee not found on record.
2. Purchase committees were not notified by Deputy Commissioner and reports of the committee were not available on record.
3. Comparative statement duly signed by all the members of the purchase committees not available on record nor produced to audit.
4. Fake call deposit was submitted by the M/s Madina Trader and KPPRA blacklisted the firm however, supply order was issued to him who neither supplied the furniture till 30.10.2020, besides the facts department in his inspection report a fake statement that all items are found according to the according to specification as quality and quantity.
5. Payment was withdrawn from government treasury and retained in shape of draft just to avoid lapse of fund.
6. reportedly out of three firms one firm Raza Traders partially supplied the items while rest of the two Madina Traders & Malak Wood did not made any supply and their amount are retained in shape of bank draft .
7. Stock Register and delivery challan of the supplied items neither available on record nor shown to audit till the last date of audit.

8. Amount of Rs.14,262,100 withdrawn from public exchequer on three different bills but no entry was recorded on cash book and stock register.
9. Financial sanction was granted by the DEO Orakzai for which he was not competent. Thus financial powers were over exercised by the DEO Orakzai.

The irregularity occurred due to lack of internal control, which resulted in to irregular withdrawal of money.

When reported in October 2020, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Audit suggests detail inquiry and fixing responsibility on person at fault.

**AIR 2019-20 Para-16**

**2.5.2.11 Loss to Government due to non deduction of Taxes -Rs. 2.178 million**

According to Para 26 of GFR Volume I, it is the duty of the departmental Controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

According to terms & condition mentioned in the advertisement the firms are directed to quote their rates along with sales tax, income tax, stamp duty etc and transportation charges to the schools.

In the office of District Education Officer Orakzai it was observed that District Education Officer, Orakzai awarded tenders to Various suppliers on the rates offered by the firms and payment was made without deduction of taxes or

less deduction of taxes resultantly, suppliers was granted undue favor and government was put into loss of Rs.2,178,356 as detailed below:

S #	Items Name	Bill Amount	Firm Name	S /Tax 1/5 <sup>th</sup>	I/Tax @ 4.5%	Total Tax deduction
1	School Bags	22,415,000	Raza Traders	762,110	1,008,675	1,770,785
2	Furniture	4,437,700	Raza Traders	150,882	199,697	350,579
<b>Total</b>						<b>2,121,364</b>

S#	Items Name	Bill Amount	Firm Name	S /Tax deducted	I/Tax deducted	Total Tax deducted	Tax required deduction	differen ce
3	Furniture	8,907,300	Malak Wood	258,844	389,315	648,159	703,677	55,518
4	Furniture	917,100	Madina Traders	31,181	39,866	71,047	72,451	1,404
<b>Total</b>								<b>56,922</b>

Audit is of the view that non deduction of taxes occurred due to weak financial control which resulted into Loss to government.

When reported in October 2019, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Matter is reported for recovery besides action the person(s) at fault.

**AIR 2019-20 Para-17**

**2.5.2.12 Irregular expenditure of Rs 10.560 million. Non imposition of penalty-Rs 554,149 and non deduction of income tax-Rs498,734**

According to Government of Khyber Pakhtunkhwa, Home and TA Department letter No. SO(security-II)/IID/GE.2018/E dated 10.07.2018, the Competent Authority has been pleased to allow hire/purchase of the

CCTVs/Surveillance Cameras for most sensitive polling stations in the premises outside the schools, through the normal mode of procurement allowed as per law.

Provided that any procuring entity desirous of using negotiated tendering as a method of procurement shall record its reasons and justifications in writing for resorting to negotiated tendering and shall place the same on record. 11. Method of advertisement.---(1) The procurement entity shall engage in open competitive bidding if the cost of the object to be procured is more than the financial limit which is applicable under rule 10 purchases up to Rs. 2.5 million, shall be posted on the procuring entity's website or public procurement regulatory authority (PPRA's) or both. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring entity.

(ii) for District Governments, the procuring entity may route a justifiable case for exemption to the Government by the District Coordination Officer, through Secretary Local Government Department; (iii) Government may exempt the procurement of an object or a class of objects, in national/public interest, from some or all provisions of this Act, for which reasons shall be recorded in writing;

Deputy Commissioner Orakzai received a cheque No. 139999514 dated: 25.07.2019 amounting to Rs 10,560,000 from Commissioner Kohat Division on account of installation of CCTV Cameras in 176 Number polling stations for holding of General Elections 2019. Out of which an expenditure of Rs 5,541,490 was incurred by the local office during the financial year 2019-20.

Audit observed the following:

1. As per TORs i.e (h) of notification issued by DC office regarding constitution of committee for installation of CCTV Cameras, The committee will ensure that all the CCTV cameras are installed and are functional but out of 176 number polling stations, only 121 recordings provided.
2. As per TOR (i), The committee will decide to pay the contractor of CCTV cameras as per their function, if any fault occurred, the committee will

retain the payment but the local office did not retain the payment and made full payment.

3. As per clause 4 of the agreement, DC will be responsible to provide transportation resources but no proper transportation resources and rate was available in agreement instead the local office paid a sum of Rs 3,500 for 166 polling stations (Rs 3,500 x 166= Rs 581,000) while 121 polling stations hard disks were handed over thus causing overpayment of Rs 157,500 (Rs 3,500 x 45= Rs 157,500), which needs to be recovered.
4. As per Clause 9 of the agreement, the contractor will be responsible for functionality of all the systems. While out of 176 polling stations, only 121 hard disks were handed over while instead payment was made.
5. No tender was made and only quotations were called. Letter regarding quotations was also not available in record. Thus violation of the above mentioned KPPRA Rules.
6. No list/comparative statement duly signed by members/committee was available in record and the envelopes were also not available in record.
7. The signature on cheque as receiver is totally different that from the signature on agreement, which make the payment doubtful.
8. A sum of Rs 5,018,510 as saving was returned to Commissioner Kohat vide cheque number 18600 dated: 24.6.2020 but till date of audit i.e. 07.7.2020 no amount was debited from bank account, which is also astonishing.
9. Inspection report of the installation of the cameras was not available in record.
10. Where about of CCTV Cameras/Hard disks was not known.
11. The local office failed to impose penalty on contractor @10% amounting to Rs 554,149.
12. Income tax @9% amounting to Rs 498,734 was also not deducted from the contractor.

The irregularity occurred due to weak administrative and internal control.

When pointed out in July, 2020 Management stated that recovery if any will be made and will be shown to Audit.

Request for convening the DAC meeting was made on 30.07.2020, which could not be convened till finalization of this report.

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

**AIR 2019-20 Para-06**

**2.5.2.13 Unauthorized purchase of vehicles-Rs 46.417 million  
Loss to Government-Rs33.996 million and unverified  
expenditure**

According to Government of Khyber Pakhtunkhwa Administration department (Transport Section) minutes of the transport committee meeting circulated vide No. SOT(AD)/TCR/2015/KC dated 20-10-2019, the provincial Government has imposed complete ban on purchase of vehicle, which can be relaxed by the Chief Minister on case to case basis. However, the case of purchase of vehicle may be moved after obtaining non-availability certificate from Administration Department. Further, the case for purchase of vehicle should be moved only after obtaining condemnation certificate as per procedure laid down S. No 9 of delegation of powers Rules-2001.

According to Finance Department letter No. BO-1/FD/5-8/2018-19/Austerity dated: 29.10.2019, Provincial Government has imposed complete ban on purchase of new vehicles.

According to Staff Car Rules 1997, (i)1300CC vehicle is allowed to grade 19&20 (ii) 1000CC vehicle is allowed to grade 18 (iii) 800CC vehicle is allowed to grade 17.

According to transport committee meeting held on 07.10.2015, officers in BPS-17, 18 and 19 are entitled to use vehicles having engine capacity of 800 CC, 1000 CC and 1300 CC respectively.



DC Orakzai purchased 07 number vehicles for Rs 46,417,000 during the year 2019-20. The following irregularities were noticed:

- i. The DC Orakzai was entitled for 1300cc vehicle whereas; DC Orakzai purchased two vehicles of 2800cc for Rs 8,439,412 and Rs 6,287,500. Thus Government was put into loss.
- ii. Luxury vehicles were purchased as according to FBR above 1800 cc vehicles were declared as luxury vehicles. No provision was made for purchase of luxury vehicles.
- iii. Vehicles were purchased beyond the authorization of the officers. Vehicles having 2800 CC engine capacity were purchased for officers in BPS-17 and 18 in contrary to the entitlement mentioned above;
- iv. Relaxation on ban of vehicles was not obtained from Chief Minister as per above criteria.
- v. Non-availability of vehicles certificate was also not obtained from Administration Department.
- vi. Condemnation of vehicle certificate as per procedure laid down S.No 9 of Delegation of Powers & Rules was also not obtained.
- vii. The newly purchased vehicles could not be verified physically.
- viii. The local office failed to deduct 1/5<sup>th</sup> of the sales tax amounting to Rs 1,578,178.

S#	Vehicle Purchased/ Engine Capacity	Allotted to	Amount (Rs)	Required Purchase Amount approx	Difference (Rs)
1	Fortuner/2800 CC	DC	8,439,412	2,334,000	6,105,412
2	Revo Double Cab/ 2800 CC	DC	6,287,500	2,334,000	3,953,500
3	Revo Double Cab/ 2800 CC	ADC	6,287,500	1,500,000	4,787,500
4	Revo Double Cab/ 2800 CC	AC	6,287,500	1,500,000	4,787,500
5	Revo Double Cab/ 2800 CC	AC	6,287,500	1,500,000	4,787,500
6	Revo Double Cab/ 2800 CC	-	6,287,500	1,500,000	4,787,500
7	Revo Double Cab/ 2800 CC	-	6,287,500	1,500,000	4,787,500
	<b>Total</b>		<b>46,164,412</b>		<b>33,996,412</b>

Moreover, 2 number vehicles Revo Double Cab were not supplied till date of Audit.

Unauthorized purchase occurred due to weak internal control.

When pointed out in July, 2020 Management stated that the observations were noted for necessary compliance.

Request for convening the DAC meeting was made on 30.07.2020, which could not be convened till finalization of this report.

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

**AIR 2019-20Para-13**

**2.5.2.14 Loss to Government due to non-deposit of 10% Performance Guarantee of Rs 3.711 million and non imposition of penalty**

According to Para 26 of GFR Volume I, it is the duty of the departmental Controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

According terms & condition mentioned in the advertisement “The successful bidder/firm is required to deposit 10% Performance Security (SDR) in the name of District Education Officer Orakzai.

District Education Officer Orakzai awarded various contracts to contractors for supply of schools bags, & furniture with the condition to deposit the 10% performance security amounting to Rs.3,711,330 The supplier neither deposited the 10% security with DEO Orakzai besides the facts that full advance payment was made to the supplier in June 2020 as detailed below;

S.No	Items Name	Suppliers Name	Bill Amount	10% Security Rs
01	School Bags	M/s Raza Traders	22,415,000	2,241,500
02	Furniture	M/s Malak wood Complex	8,907,300	890,730

03		M/s Madina Trading Company	917,000	91,700
04		M/s Raza Traders	4,874,000	487,400
<b>Total</b>				<b>3,711,330</b>

In addition Panty for late supply amounting to Rs 1,237,109 was also not imposed on the contractor.

Audit is of the view that undue favor was granted to the contractor. The irregularity occurred due to weak financial control which resulted into Loss to government.

When reported in October 2020, management did not replied to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Matter is reported for recovery besides action the person(s) at fault.

**AIR 2019-20 Para-02**

**2.5.2.15 Unverified expenditure of Rs 199.381 million**

Para 23 of GFR Vol-I requires that 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 and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which he contributed.

DHO Orakzai paid a sum of Rs 199,381,000 to Meshti Mela Hospital, District Orakzai on account of Pay & Allowances and Miscellaneous expenditure

during the financial year 2019-20. Despite repeated requests and a letter vide No. 3589/PF/MERF dated: 30.7.2020 endorsed by DHO Orakzai to MS Meshti Mela Hospital, the local office failed to produce any record. Thus chances of misappropriation could not be ruled out.

Irregularity occurred due to weak administrative and internal control.

When reported in August 2020, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.08.2020, which could not be convened till finalization of this report.

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

**AIR 2019-20 Para 11**

**2.5.2.16 Non supply of medicines and equipments-Rs 34.434 million and non imposition of penalty- Rs 2.410 million**

According to Instruction No.7 of the Government MCC Khyber Pakhtunkhwa and penalties clause of supply orders, the supply of stock was required to be completed within 30 days. The supplier may avail 15 days extension with 3 % penalty and another 15 days with 7% penalty on the cost of non supplied items. After the expiry of these extended periods, the order shall be stand cancelled and the purchaser will have the right and authority to arrange alternate purchase at the risk ad cost of the supplier in respect of non supplied items and will be penalized according terms and conditions of Government MCC.

During audit of District Health Officer Orakzai for the financial year 2019-20, it was observed that supply orders for Rs34,434,427 were issued to suppliers for supply of medicines and equipments but suppliers failed to supply the same

within stipulated period i.e. in June, 2020. The local office neither took any action against the suppliers nor imposed any penalty amounting to Rs 2,410,410. Audit holds that the amount paid was un-authorized and needs proper justification. Detail at Annexure-3.

Moreover, neither the physical verification was carried out nor any supply/disbursement of medicines/equipments was made to the health facilities.

The irregularity occurred due to weak internal control.

When reported in August 2020, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.08.2020, which could not be convened till finalization of this report.

Matter is reported for inquiry and action against the person(s) the fault.

**AIR 2019-20 Para-06**

**2.5.2.17 Non obtaining of performance guarantee of Rs 3.443 million**

According to para 13 of the approved agreement of the Government MCC Khyber Pakhtunkhwa Peshawar No 4333-4450/DDC/DGHS/KP dated 29/09/19, the purchasing entity shall receive performance Guarantee amounting to 10% of the total value of the each individual supply order.

During scrutiny of record of District Health Officer Orakzai for the year 2019-20, it was observed that the local office incurred an expenditure of Rs34,434,427 on purchase of medicines/machinery & equipments but performance guarantee for Rs 3,443,442 @ 10% of supply orders was not obtained from the suppliers resulting government funds putting to risk.

The irregularity occurred due to weak internal control.

When reported in August 2020, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.08.2020, which could not be convened till finalization of this report.

Matter is reported for inquiry and action against the person(s) the fault.

**AIR 2019-20 Para-07**

**2.5.2.18 Irregular expenditure on purchase of medicine-Rs 22.749 million**

According to Directorate General Health Services, Government of Khyber Pakhtunkhwa letter no. 191-200/MCC dated 17.02.2016, Clause 06 of Medicine Coordination Committee (MCC), the procuring entity shall arrange to obtain samples from each batch of the supplied drugs/medicine through notified Drug Inspectors concerned and send to the concerned Drug Testing Laboratory (DTL) for test/Analysis. As per Clause G, Payment shall not be released to the firms without the submission of Contract Execution Certificate duly authenticated /signed by the MCC.

DHO Orakzai incurred an expenditure of Rs 22,749,243 on account of purchase of medicines & drugs during the financial year 2019-20. The following irregularities were noticed:

1. Payment was made in advance without clearance of samples of medicines from Government Drug Testing Laboratory (DTL).

2. Quarterly report regarding clinical efficiency of brand of medicine was not submitted to MCC, which put to potential risk the Government interest and general public as well.
3. Payment was made to the firms without the submission of Contract Execution Certificate duly authenticated /signed by the MCC.

The irregularity occurred due to non-compliance of Government orders.

When reported in August 2020, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.08.2020, which could not be convened till finalization of this report.

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

**AIR 2019-20 Para-08**

**2.5.2.19 Irregular payment of Pay & Allowances through DDO of Rs. 3.258 million**

As per Treasury Rule 57-2 payment should be made through bank draft or cross cheque instead of cash payment if the amount of payment is above Rs. 500.

According to Finance Department letter No.FA/FD/1-14/2007/Salaries dated 10/05/2007, "Salaries of all Provincial & District Government Employees in NWFP shall be disbursed in the manner, prescribed by the Auditor General of Pakistan in para 4-6-3 of Accounting Policies & Procedures Manual (APPM) of New Accounting Model by direct credit transfer to the employees nominated bank accounts".

During audit of accounts record of HR data of District Education Officer Orakzai for the financial year 2019-20, it was observed that an amount of Rs. 3,258,366 was drawn on account pay & allowances to different employees through DDO instead of direct credit system to vendors which is in violation to the above orders. Hence DEO Orakzai created chances of misappropriation which cannot be ruled out .Detail enclosed.

Audit observed cash payment of salaries through DDO held irregular which needs regulation under intimation to Audit.

When reported in October 2020, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Audit recommends immediate transfer of salaries from DDO to bank accounts and inquiry into the matter for fixing responsibility against the person(s) at fault.

**AIR 2019-20 Para-05**

**2.5.2.20 Irregular Payment of arrears through adjustments in pay& allowances Rs 4.654 million**

According to Para 89(4) (viii) of GFR Vol- I, the head of a department and the Accountant General will be jointly responsible for the reconciliation of figures given in the accounts maintained by head of department with those that appear in the Accountant General's books.

GFR 134 states that all claims in respect of government employees shall be submitted to DAO/AG/AFPR duly complete in all respect and supported by relevant verifiable evidence as mentioned in CTR 177 in respect of claim.



Similarly 4.6.5.5 of APPM prescribes that any that any change in employees allowances and deductions shall be notified (by the DDO) through the change statement to the DAO/AG/AGPR.

District Education Officer Orakzai draw an amount of Rs. 4,653,673 on account of arrear/adjustment of pay & allowances of different employees. Neither approval of the competent authority was available neither investigation sanction was obtained. Payment was drawn through DDO, hence chances of misappropriation cannot be ruled out.

Audit observed cash payment of salaries through DDO held irregular which needs regularization under intimation to Audit.

When reported in October 2019, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Audit recommends immediate transfer of salaries from DDO to bank accounts and inquiry into the matter for fixing responsibility against the person(s) at fault.

**AIR 2019-20 Para 06**

**2.5.2.21 Irregular payment of fix medical allowance to gazetted employees Rs 1.962 million**

GFR 134 states that all claims in respect of government employees shall be submitted to DAO/AG/AFPR duly complete in all respect and supported by relevant verifiable evidence as mentioned in CTR 177 in respect of claim. Similarly 4.6.5.5 of APPM prescribes that any that any change in employees

allowances and deductions shall be notified (by the DDO) through the change statement to the DAO/AG/AGPR.

Scrutiny of the HR-Data of District Education Officer Orakzai revealed that District Education Officer Orakzai during 2019-20 paid Rs 1,962,000 to various employees as fix Medical Allowance to which they are not entitled and thus held irregular and unauthorized and requires justification.

Audit observed payment of judicial allowance is held irregular which needs regularization under intimation to Audit.

When reported in October 2019, management did not replied to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Audit recommends stoppage of judicial allowance besides recovery and action against the person(s) at fault.

**AIR 2019-20 Para 09**

## **C Management of Accounts with Commercial Banks**

### **2.5.2.22 Non deposit of bank profit into government treasury- Rs 1.345 million**

According to Para 8 and 26 of the General Financial Rules Volume I, each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

Deputy Commissioner Orakzai did not deposit a sum of Rs 1,344,763 on account of profit earned on PLS bank account No. 10173050 during 2019-20, which needs to be deposited into Government treasury under intimation to Audit.

Non deposit occurred due to weak internal control.

When pointed out in July, 2020 Management stated that the bank profit will be deposited into government treasury.

Request for convening the DAC meeting was made on 30.07.2020, which could not be convened till finalization of this report.

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

**AIR 2019-20 Para 18**

**2.5.2.23 Unnecessary retention of Rs 17.776 million and irregular cash withdrawal from bank account-Rs 62.142 million**

According to S.No 4.3.1.1 of the Accounting Policies and Procedures Manual, all expenditures will be made through cross cheque in the name of supplier/contractor.

According to Rule 290 of Treasury Rules, “no money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

During scrutiny of the Bank Statement of District Health Officer Orakzai for the year 2019-20, it was observed that a sum of Rs 17,776,142 was lying as unspent balance in the bank account as on 30.06.2020. Audit observed that if money was not required in anticipation of any demand then why it was drawn from the Government Treasury.

Moreover the local office withdrew a sum of Rs 62,142,503 as cash withdrawals from bank account No. 4015252289 (NBP) instead of cross cheques in contrary to the above mentioned criteria. Thus chances of misappropriation could not be ruled out.

When reported in August 2020, management did not replied to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.08.2020, which could not be convened till finalization of this report.

Audit recommends detail inquiry for fixing responsibility on person at fault.

**AIR 2019-20 Para-05**

### 2.5.3 VALUE FOR MONEY AND SERVICE DELIVERY ISSUES

#### 2.5.3.1 Non deposit of health receipts of Rs 3.580 million

According to Para 8 and 26 of GFRVol-I, each Administrative Department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

During audit of District Health Officer Orakzai for the financial year 2019-20, it was observed that a sum of Rs3,579,850 was received as health receipts by Meshti Mela Hospital during the year but failed to deposit the same into Government treasury, which needs to be deposited under intimation to Audit. Detail is given below:

S#	Health Facility	Head of income	Total Number	Total Amount
1	MeshtiMela Hospital	OPD	77903	779,030
2	---do---	Indoor	6257	125,140
3	---do---	X-Ray	6962	348,100
4	---do---	Laboratory	35712	1,607,040
5	---do---	Delivery Charges	654	65400
6	---do---	Ultrasound Charges	2007	361,260
7	---do---	ECG	1558	93,480
8	---do---	OT	2004	200,400
			<b>Total</b>	<b>3,579,850</b>

The loss occurred due to weak internal control.

When reported in August 2020, management did not replied to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.08.2020, which could not be convened till finalization of this report.

The matter is reported recovery and action against the person(s) at fault.

**AIR 2019-20 Para-03**

### **2.5.3.2 Non deduction of Pay & Allowances during absent period- Rs2.093 million**

According to Para 8 and 26 of GFRVol-I, each Administrative Department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

District Health Officer Orakzai failed to deduct a sum of Rs 2,093,311 on account of Pay & Allowances of absent period from the below mentioned staff, which needs to be deducted and be deposited into Government treasury under intimation to Audit. Detail at Annexure-4.

Non deduction occurred due to weak internal control, which resulted in loss to Government.

When reported in August 2020, management did not replied to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.08.2020, which could not be convened till finalization of this report.

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

**AIR 2019-20 Para-04**

### **2.5.3.2 Irregular expenditure on non-functional schools and payment of pay and allowance**

A controlling officer must satisfy himself not only for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinates officers and to guard against waste and loss of public money and store, but also that the prescribed checks are effectively applied.

During audit of District Education Officer Orakzai for the financial year 2019-20, it was observed from AMIS data that 50 number schools are nonfunctional due to non posting of teachers, illegal occupied by local community and due to law and order situation. The staffs of these closed schools including teaching staff and class-IV are drawing their salary regularly without duty, as they are not deputed to any other school. Furthermore, 116 teachers are posted in the 74 schools with having zero enrolment. 91schools are fully damaged this also includes non-functional schools.

The irregularity occurred due to lack of internal control.

When reported in October 2019, management did not reply to the audit observation and stated that detail reply will be submitted after consultation of record.

Request for convening the DAC meeting was made on 30.10.2020, which could not be convened till finalization of this report.

Audit recommends functionalize the damage facilities at the earliest besides regularization of the expenditure.

**AIR 2019-20 Para-18**

## ANNEXURES

### Annexure -1

#### (Detail of MFDAC Paras)

S#	AIR Para No	Department	Subject	Amount
<b>Deputy Commissioner</b>				
1.	1	DC	Irregular and doubtful payment on CCTV Rs.5.541 million and overpayment of Rs. 157,500	5.541 0.157
2.	2	-do-	Irregular expdr. on account of hiring Rs. 804,000	0.804
3.	3	-do-	Irregular of payment of honorarium	1.472
4.	6	-do-	Irregular cash withdrawal from Bank A/c	6.943
5.	9	-do-	Unauthentic receipts	0.785
6.	10	-do-	Non-recovery of HRA / CA	0.720
7.	11	-do-	Non transparent tendering POL/Vehicle	5.205
8.	14	-do-	Doubtful exdpr. On account of Entertainment	1.355
9.	15	-do-	Irregular On doubtful exdrs. TADA	0.768
10.	16	-do-	Irregular and doubtful expdr.	0.744
11.	17	-do-	Doubtful expdr on account of Hot & Cold	0.985
<b>Health</b>				
12.	09	DHO	Non-reconciliation of electricity bills payment with TESCO	7.500
13.	10	-do-	Unauthentic receipts	2.682
14.	12	-do-	Loss to Govt. due to non-conversion of bank account	1.741
15.	13	-do-	Illegal with drawl of HPA	0.960
16.	14	-do-	Unauthorized payment of account of non-practicing allowance	-
17.	15	-do-	Overpayment of HPA	0.052
18.	16	-do-	Where about of absent doctors	-
<b>Education</b>				
19.	1	DEO	Irregular exdr. Without tender quotation	0.800
20.	3	-do-	Loss to Govt due to non-imposition	1.237
21.	4	-do-	Illegal re-appropriation for conditional grant	48.00
22.	7	-do-	Irregular payment to employee beyond 60 Years	4.533
23.	8	-do-	Irregular payment against overage appointment	0.300
24.	12	-do-	Irregular payment of DDO	5.878
25.	13	-do-	Loss to Govt. due to non deduction stamp duty and DPR charges	0.440
26.	19	-do-	Irregular release of AIP Fund to un needy school	4.760



**Annexure-2****2.5.2.7****Detail as per irregular appointment of staff**

<b>S#</b>	<b>Name of Employee</b>	<b>Designation</b>	<b>Pay Scale</b>
1	FaridHussain	Medical Officer	17
2	Zahir Shah	Medical Officer	17
3	Mohammad Ishfaq	Medical Officer	17
4	Rehman Shah	Medical Officer	17
5	Abduraziq	Medical Officer	17
6	Musa Kalimullah	Charge Nurse	16
7	Mohammad Iftikhar	Charge Nurse	16
8	Syed MuradHussain	Laboratory Attendant	4
9	Abdul Salam	Ward Orderli	4
10	Abdul Qadoos	Ward Orderli	4
11	Syed Muzammil Shah	Sweeper	3
12	ShahidZubair	Chowkidar	3
13	Mohammad Suliman	Chowkidar	3
14	Naqeebullah	Chowkidar	3
15	AzmatShafiq	Laundry	3
16	Noor Nazir	Laundry	3
17	MujeebRehman	Naib Qasid	3
18	MansoorAsghar Khan	Naib Qasid	3
19	Nazir Ali	Naib Qasid	3
20	UmerFarooq	Behishti	3

**Annexure-3**  
**2.5.3.9**

**List of medicines and equipments not supplied.2019-20**

<b>S#</b>	<b>Name of Items</b>	<b>Quantity</b>	<b>Name of Firm</b>	<b>Amount (Rs)</b>
1	Stethoscope	103	M/S Life line Medical Associate	51,500
2	Oxygen Concentrator	8	M/S Electro Med	656,000
3	BP set	102	M/S Shah Brothers & Co	389,640
4	Wheel chair	20	---do---	217,800
5	Instrument trolley	10	---do---	88,500
6	Laptop	04	---do---	560,000
7	Executive table	14	M/S Global Traders	285,278
8	Computer table	14	---do---	113,372
9	Tab: Amoxicillin and Clavulanic 625 mg	11324	M/S MectorInt;	157,404
10	Tab: Paracetamol	100000	M/S Stanley Pharma	1,425,000
11	Syp: Cephadrine 250 mg	5500	M/S IpramPharma	412,500
12	Medicines	-	-	2,249,984
13	Cost of other store	-	-	675,000
14	Purchase of Plant & Machinery	-	-	2,249,640
15	Purchase of Furniture & Fixture	-	-	2,249,550
16	Others	-	-	2,154,000
17	AIP Medicines	-	-	20,499,259
<b>Total</b>				<b>34,434,427</b>

## Annexure-4

### 2.5.4.2

#### Detail as per Non deduction of Pay & Allowances during absent period

S#	Name	Posting	Period	Days/Months	Total Pay & Allowances
1	Mr. Qasim Ali, MT	BHU Zera	28/4/20 15/8/20	to 108 days	164,530
2	Mst: ShaizaOqab, LHV	BHU ZurChappar	05.6.20 15.8.20	to 70 days	94,547
3	Mr. Saleem Shah, Behishti	BHU ZanaKhel	01.7.19 30.6.20	to 365 days	281,928
4	Mr. Saeed Shah, Chowkidar	---do---	---do---	365 days	325,176
5	Mr. TootiMarjan, Dai	Type-D Hospital Ghiljo	01.7.19 30.6.20	to 365 days	220,320
6	Zarkhabe, Dai	---do---	---do---	---do---	220,320
7	Zakhta Jan, Dai	---do---	---do---	---do---	220,320
8	Marmeena, Dai	---do---	---do---	---do---	220,320
9	Mr. FazalGhani, MT	RHC Kurez	11.6.20 15.8.20	to 34 days	51,796
10	Mr. Jan Mohammad, MT	---do---	---do---	---do---	51,796
11	Mr. FazalGhani	-	-	29 days	45,145
12	Mr. Ismail Alam Jan	-	-	---do---	56,000
13	Mr. Saleem Shah	-	-	15 days	16,281
14	Mr. Saeed Shah	-	-	---do---	11,337
15	Mr. NikWazir	-	-	---do---	18,388
16	Mr. MoeenPura	-	-	---do---	17,928
17	Mr. Abdullah	-	-	---do---	14,819
18	Mr. MominGul	-	-	20 days	26,760
19	Mr. Mohammad Zada	-	-	15 days	23,688
20	Mr. Mohammad Ishtiaq	-	-	15 days	11,912
<b>Total</b>					<b>2,093,311</b>