



**AUDIT REPORT
ON
THE ACCOUNTS OF
LOCAL GOVERNMENTS
DISTRICT KURRAM**

AUDIT YEAR 2020-21

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

| | |
|--|-----|
| ABBREVIATIONS AND ACRONYMS | i |
| Preface | iii |
| CHAPTER-1 | 1 |
| Public Financial Management..... | 1 |
| 1.1 Sectoral Analysis..... | 1 |
| 1.2 AUDIT PARAS..... | 6 |
| CHAPTER-2 | 9 |
| District Government..... | 9 |
| 2.1 Introduction | 9 |
| 2.2 Comments on Budget and Accounts (Variance Analysis)..... | 10 |
| 2.3 Classified Summary of Audit observations..... | 11 |
| 2.4 Comments on the status of compliance with District Accounts Committee Directives | 11 |
| 2.5 AUDIT PARAS..... | 12 |
| A. HR/Employees related irregularities. | 12 |
| B. Procurement related irregularities..... | 18 |
| C Management of Accounts with Commercial Banks..... | 23 |
| 2.5.2 Value for money and service delivery issues..... | 25 |
| ANNEXURES..... | 27 |

ABBREVIATIONS AND ACRONYMS

| | |
|-----------|--|
| AIR | Audit and Inspection Report |
| APPM | Accounting Policies and Procedures Manual |
| AG | Accountant General |
| BHUs | Basic Health Units |
| CMD | Chief Minister Directive |
| CPWA Code | Central Public Works Accounts Code |
| CVT | Capital Value Tax |
| DAC | Departmental Accounts Committee |
| DAC | District Accounts Committee |
| DCA | District Comptroller of Accounts |
| DG | Director General |
| DEO | District Education Officer |
| DHO | District Health Officer |
| DO | District Officer |
| DPR | Disabled Person Rehabilitation |
| GHSS | Government Higher Secondary School |
| GFR | General Financial Rules |
| E& SE | Elementary & Secondary Education |
| FTR | Federal Treasury Rules |
| KPPPRA | Khyber Pakhtunkhwa Public Procurement Rules Authority |
| LGE & RDD | Local Government, Election & Rural Development Department |
| LGA | Local Government Act |
| MCC | Medicine Coordination Cell |
| MFDAC | Memorandum for Departmental Accounts Committee |
| PAC | Public Accounts Committee |
| PAO | Principal Accounting Officer |
| PTC | Parents Teachers Council |
| TMA | Tehsil Municipal Administration |

| | |
|-----|---------------------------|
| TMO | Tehsil Municipal Officer |
| TAC | Tehsil Accounts Committee |
| TDR | Term Deposit Receipt |
| TS | Technical Sanction |

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 and Assistant Director Local Government, Elections and Rural Development Department, in District Kurram 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 of 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, 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 Kurram consist of three tiers which perform their operations under Khyber Pakhtunkhwa Local Government Act 2013. 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 of 08 devolved departments including AD Local Government Election & Rural Development Department. The second Tier-Tehsil Municipal Administrations have one PAO i.e. Tehsil Municipal Officer for each administration. There are three Tehsil administrations in district Kurram. The third Tier-village and neighborhood Councils have AD LGE & RDD as Principal Accounting Officer for these councils. However the third tier of government regarding Neighborhood Councils and Village Councils have not been define.

a. Scope of audit

This office is mandated to conduct audit of 49 formations working under 05 PAOs. Total expenditure of these formations were Rs. 2831.139 million for the financial year 2019-20.

Audit coverage relating to expenditure for the current audit year comprises 05 formations of 01 PAOs having a total expenditure of Rs. 2,685.342 million for

the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 94.42% of auditable expenditure.

b. Recoveries at the Instance of Audit

As a result of audit, a recovery of Rs 2.603 million was pointed out in this report. No recovery was affected till finalization of this reported.

c. Audit Methodology

Audit was conducted according to INTOSI guidelines for Compliance audit and Financial Audit Manual of AGP.

Audit procedures employed to obtain evidences were inspection, Analytical procedures, observations and computation.

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 risk and to provide reasonable assurance that in 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- Rs 90.764 million.¹
- ii. Unauthorized payments to DDOs instead of crossed cheques to vendors - Rs 394.934 million.²
- iii. Unverified payments on account of arrears of pay and allowances Rs. 102.185 million.³
- iv. HR/Employees related irregularities were noticed in seven cases amounting to Rs 80.602 million.⁴
- v. Procurement related irregularities were noticed in four cases amounting to Rs 34.64 million.⁵
- vi. Issues in management of accounts with commercial banks were noted in two cases amounting to Rs 128.805 million.⁶
- vii. Value for money & Service delivery issue was noticed in one case amounting to Rs 222.315 million.⁷

Minor irregularities/weaknesses pointed during the audit are being taken up separately with the authorities concerned, as detailed in Annex-1.

¹Para no.1.2.1

²Para no.1.2.2

³Para no.1.2.3

⁴Para no.2.5.1.1 to 2.5.1.7

⁵Para no.2.5.1.8 to 2.5.1.11

⁶Para no.2.5.1.12 & 2.5.1.13

⁷Para no.2.5.2.1

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 4th 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 4th September, 2019 District Kurram 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 Kurram, funds amounting to Rs 2803.910 million were allocated to 49 formations working under 05 PAO. Out of which, expenditure of 2,767.697 million was made resulting into saving of Rs 36.213 million. Audit coverage relating to expenditure for the current audit year comprises 05 formations of 01 PAO having a total expenditure of Rs 2685.342 million for the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 94.23 % of auditable expenditure.

According to Section 36(3) of Local Government Act 2013 (amendment) Act, 2019, the District Accounts Officer was required to consolidate accounts of Local Government on quarterly and annual basis. However, District Accounts Officer, Kurram did not reflect Rs 70.764 million into the consolidated financial statement of Local Government, Kurram.

District Government, Kurram was found lagging behind in many areas envisioned as integral component of the Local Government in the Khyber Pakhtunkhwa Local Government (amendment) Act, 2019. The District Government could not establish & maintain Public Fund account as required under section 30 of LGA 2013. Similarly, it also failed to prepare, present and approve the budget estimates of receipts from district council/ administrator for District Government, Kurram as required under section 34 of LGA 2013. The receipts collected as taxes/fees/rents under section 42 of LGA-2013 were also not credited to the District Fund. Most importantly, Finance Department, Khyber Pakhtunkhwa could not provide District Account Office, Kurram 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, 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 1627.478 million were provided to elementary & Secondary education headed by District Officer. Expenditure of Rs 1559.051 million was incurred, out of which expenditure of Rs 1057.660 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 Kurram. 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 Kurram 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, Kurram succeeded in spending 90.00% of District ADP and 97.5% of non-salary budgets.

District Education Offices in Kurram 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 Kurram 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 Kurram, devolved at district level. Funds to the tune of Rs 616.210 million were provided to health department headed by District Officer Health. Expenditure of Rs 458.759 million was incurred. Health department Kurram 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 Kurram. 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 Kurram was newly established with grant of 90.05 million in the year 2019-20. Tehsil Municipal Administration did

not fulfill some primary requirements envisioned as integral component of Local Government in the Khyber Pakhtunkhwa Local Government Act, 2013. 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, Kurram 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.

1.2 AUDIT PARAS

1.2.1 Non compilation/consolidation of accounts of Local Governments- Rs90.764 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 Kurram 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 Rs 90.764 million and Rs 86.437 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 Kurram 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 - Rs 394.934 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 Kurram, paid Rs394,934,000 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- Rs102.185million

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 Kurram for the year 2019-20 while analyzing HR data it was noticed that arrears of pay and allowances of Rs 102,185,000 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 Government

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

| S. No | Description | Total Nos | Audited | Expenditure audited FY 2019-20 (Rs in million) | Revenue /Receipts audited FY 2019-20 (Rs in million) |
|-------|-------------|-----------|---------|---|--|
| 1 | Formations | 46 | 05 | 2,685.342 | Nil |

2.2 Comments on Budget and Accounts (Variance Analysis)

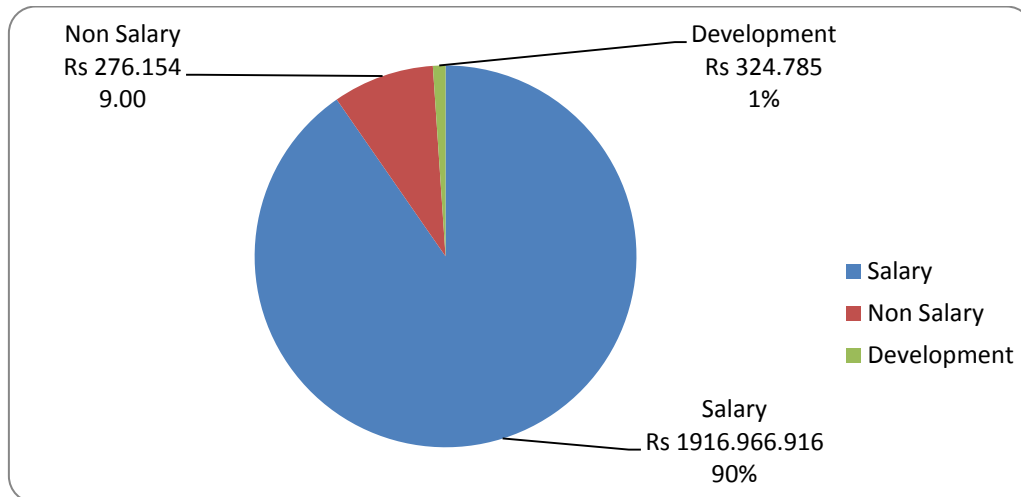
(Rs in million)

| District Government Kurram | | | | |
|----------------------------|-----------------|---------------------------------|-----------------|-------|
| 2019-20 | Budget | Actual Expenditure/ Receipts | (Saving)/Excess | %age |
| Salary | 2803.910 | 2589.995 | 36.212 | 1.29% |
| Non- Salary | | 101.975 | | |
| Developmental | | 75.728 | | |
| Total | 2803.910 | 2767.698 | 36.212 | |
| Receipts | | 0 | 0 | |

The savings of Rs. 36.212million 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 Rs466.586million were raised as a result of this audit. This amount also included recoverable of Rs2.603 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 | Irregularities | |
| A | HR/Employees related irregularities | 80.826 |
| B | Procurement related irregularities | 34.64 |
| C | Management of Accounts with commercial bank | 128.805 |
| 2 | Value for money and service delivery issues | 222.315 |
| | Total | 466.586 |

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 Irregularities

A. HR/Employees related irregularities.

2.5.1.1 Irregular drawl through DDO instead of individual's bank accounts -Rs. 4.739 million

Claus 4.2.9.5 of Accounting Policies and Procedure Manual (APPM) states that "Only Government Cheque Books should be used when making payments by Cheque, payment of approved claims must be made only to the claimant as indicated on the claim voucher."

Clause 2.3.2.8 of Accounting Policies and Procedure Manual (APPM) states that "the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques."

The Deputy Commissioner Kurram drew a total amount of Rs.4.739 million during 2019-20 as per following detail.

| S# | Cheque | Date | Account | Amount |
|--------------|---------|------------|-----------------------|------------------|
| 1 | 0924217 | 09.06.2020 | Advertisement charges | 112,127 |
| 2 | 0924218 | 09.06.2020 | Advertisement charges | 39,000 |
| 3 | 0924226 | 10.06.2020 | TA | 47,660 |
| 4 | 0924221 | 10.06.2020 | Misc | 247,220 |
| 5 | 0924223 | 10.06.2020 | Misc | 4,160,492 |
| 6 | 0924238 | 11.06.2020 | TA | 36,604 |
| 7 | 0924240 | 11.06.2020 | Stationery | 96,634 |
| Total | | | | 4,739,737 |

Audit observed that the amount was drawn in favour of DDO instead of the individual's concerned in violation of the APPM.

Audit is of the view that the drawl was irregular.

The matter is reported for proper justification and corrective action under intimation to audit.

AIR Para No. (2019-20)

2.5.1.2 Irregular drawl and non-availability of actual payee's receipts -Rs. 19.680 million

Claus 4.2.9.5 of Accounting Policies and Procedure Manual (APPM) states that "Only Government Cheque Books should be used when making payments by Cheque, payment of approved claims must be made only to the claimant as indicated on the claim voucher."

Clause 2.3.2.8 of Accounting Policies and Procedure Manual (APPM) states that "the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques.

Rule 283(i) of FTR states that the head of an office is personally responsible for the amount drawn on a bill signed by him on his behalf until he has paid it to the persona entitled to receive it, and obtained a legally valid acquaintance on the office copy of the bill. If, in any case, owing to the large size of an establishment or for any other reason, it is not found feasible or convenient to obtain the receipts of the payees on the office copy of the bill, the head of the office may maintain a separate acquaintance roll in Form T. R. 28.

The Deputy Commissioner Kurram KP drew a total amount of Rs.19.686 million under the object head "Other Charges during 2019-20.

Audit observed that:

1. The amount was drawn in favour of DDO instead of the individual's concerned.

2. The amount was shown disbursed in cash but the actual payee's receipt in its support were not available on record

Audit is of the view that the drawl through DDO was irregular and in absence of actual payee's receipts, the authenticity was not ascertainable.

The matter is reported for proper justification and corrective action under intimation to audit.

AIR Para No. (2019-20)

2.5.1.3 Irregular deposit of public in private bank accounts -Rs.19.336 million

Para 7 of GFR Vol-I states that unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Ministry of Finance.

The management of office of the Deputy Commissioner, Kurram, Khyber Pakhtunkhwa maintained a private bank account bearing No.1276-4, in the National Bank of Pakistan, Kurram Parachinar for expenditure on unforeseen charges during 2019-20.

Audit observed that an amount of Rs. 19.336 million was drawn vide Cheque No 0924199 dated 06.05.2020 and deposited in the above bank account and till 30.06.2020 an expenditure of Rs. 5.577 million was incurred with a balance of Rs. 13.759 million still lying in the bank.

Audit is of the view that opening and operating of bank account and deposit/ retention of government money in it without the approval of Finance Division was irregular.

The matter is reported for justification.

AIR Para No. (2019-20)

2.5.1.4 Blockade of government fund - Rs. 13.759 million.

Para-7 of GFR Vol-I states, unless otherwise expressly authorized by any law or rule or order 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.

Para-95 of GFR Vol-I requires that unspent funds are to be deposited into Government treasury before 30th June of each year.

The management of Deputy Commissioner Kurram at Parachinar KP received a total amount of Rs.19.336 million on account of unforeseen charges from Finance (Merged Areas) vide No FD/BO/(PFC-11)1-5/ 2019-20/N-Salary dated 10.03.2020.

Audit observed the amount was drawn and deposited into a private bank account No 1276-4 maintained in the National Bank of Pakistan Kurram, Parachinar Branch and till 30.06.2020 not a single penny has been withdrawn from the bank for expenditure.

Audit is of the view that the unspent amount was required to be deposited to Government. However, the management retained the amount irregularly and was blocked depriving the state for its best utilization on other objects. Thus the drawl without any urgent need and retention of public fund was illegal and in violation of the above rules.

Matter is reported for clarification.

AIR Para No. 11(2019-20)

2.5.1.5 Unauthorized payment on account of Unattractive Area Allowance-Rs.2.603 million.

According to Finance Department Khyber Pakhtunkhwa letter No.FD (SR.II)15(a)12/77.Vol-III dated 08.07.1978 “Unattractive Area Allowance was

admissible @ Rs.75” only to District Chitral, Dir, Kohistan, Swat, merged areas of Hazara/Mardan, Malakand Agency (excluding Bajaur Agency).

Rule-12(1)of Rules of Business provides that. No Division shall, without previous consultation with the Finance Division, authorize the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division, which will affect directly or indirectly the finances of the Federation.

The Deputy Commissioner Kurram, KP incurred an expenditure of Rs.5.206 million under object head A01233-U.A.A (Unattractive Area Allowance) and paid to the staff posted in Kurram, Parachinar during the financial year 2018-19 &2019-20.

| Year | Amount in million |
|--------------|--------------------------|
| 2018-19 | 2.603 |
| 2019-20 | 2.603 |
| Total | 5.206 |

Audit observed that the management allowed the said allowance to the staff without any authorization, as UAA was not admissible for the forces working in Bajaur Agency.

Audit is of the view that payment of UAA without any government orders was unauthorized.

The matter is reported for proper justification and corrective measures under intimation to audit.

AIR Para No. 10 (2019-20)

2.5.1.6 Doubtful drawl of Polio Wages - Rs. 18.171 million

Para 23 of GFR Vol-I states that every Government officer should realize fully and clearly that he would 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 it may be shown that he contributed to the loss by his own action or negligence.

The District Health Officer Lower & Central Kurram at Satta has drawn an amount Rs.18,170,970 on account of Polio Campaign during 2019-20 as per detail given below.

| S# | Campaign | Amount |
|--------------|--|-------------------|
| 1 | SNID 26-29 August 2019 | 3,239,670 |
| 2 | NID 16-20 December 2019 | 4,379,840 |
| 3 | NID 17-21 February 2020 | 5,170,430 |
| 4 | CR MOPV-2 round 1 st 09-13 March 2020 | 5,381,030 |
| Total | | 18,170,970 |

Audit observed that:

1. The drawl was made in the name of DDO.
2. The financial sanction for the drawl was not available on record or produced to audit.
3. The CNIC Nos of the payees were not mentioned on the acquaintance rolls.

Audit is of the view that the whole process of drawl and payment was doubtful and its authenticity could not be verified.

Audit recommends that the matter may be enquired, responsibility be fixed and results may be shown to audit.

AIR Para No. (2019-20)

2.5.1.7 Unauthorized payment on account of Unattractive Area Allowance – Rs. 5.141 Million

According to the Finance Division Islamabad O.M No F. No 27(IR)-5/2012 dated 01.07.2016, Unattractive Area Allowance (UAA) has been allowed only for specified areas of Chitral, Kohistan, Dir& merged areas of Hazara and Mardan Divisions, Swat, Buner, Shangla and Malakand Division.

Rule-12(1) of Rules of Business provides that no Division shall, without previous consultation with the Finance Division, authorize the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division, which will affect directly or indirectly the finances of the Federation.

The District Health Officer Kurram at Parachinar incurred huge expenditure on account of Unattractive Area Allowance (U.A.A) during the financial year 2019-20. Details are as under:-

| Object Head | Year | Amount |
|--------------------|-------------|------------------|
| A01233-UAA | 2019-20 | 5,139,154 |
| Total | | 5,141,153 |

Audit observed that the management has allowed the said allowance to the staff despite the fact that office of the District Health Officer Kurram at Parachinar was not situated in the specified areas mentioned in the above orders.

Audit is of the view that allowing U.A.A in the unspecified area to the tune of Rs.6.744 million to the staff, the Government was put to a huge loss.

The matter is reported for justification.

AIR Para No. 12 (2019-20)

B. Procurement related irregularities

2.5.1.8 Irregular drawl through Drawing and Disbursing Officer instead of direct payments through vendors -Rs. 12.558 million

According to the requirement of PIFRA, Pay bills and other record of all Government servants shall be maintained through computerized system (SAP).

The District Health Officer Kurram at Parachinar drew Rs. million from Agency Account office Kurram and shown paid to concerned during the year 2019-20.

| S.No | Cheque No | Date | Account | Amount |
|--------------|-----------|------------|---------------------|-------------------|
| 1 | 0924013 | 30.09.2019 | Electricity charges | 500,000 |
| 2 | 1710614 | 07.10.2019 | Pay of EPI | 1,134,000 |
| 3 | 0924060 | 27.11.2019 | Misc | 428,080 |
| 4 | 1710782 | 19.02.2020 | | 3,819,200 |
| 5 | 1710891 | 01.04.2020 | Pay | 477,400 |
| 6 | 1827052 | 13.05.2020 | Pay | 477,400 |
| 7 | 092424 | 11.06.2020 | Misc | 3,470,520 |
| 8 | 1827168 | 11.06.2020 | Pay ADP staff | 2,251,380 |
| Total | | | | 12,557,980 |

Audit observed that the above expenditure was paid through Drawing and Disbursing officer (DDO) instead of payments through vendors.

Audit is of the view that drawl of through DDO was irregular and in violation of the above stated rule.

The matter is reported for justification.

AIR Para No. (2019-20)

2.5.1.9 Un-justified procurement of drugs & medicine-Rs.13.875 Million

Para-145 of GFR Vol-I provides that purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. At the same time, care should be taken not to purchase stores much in advance of actual requirements.

The District Health Officer Kurram at Parachinar incurred and expenditure for procurement of medicines and drugs for Rs.13,874,800 during 2019-20.

| S.No | Account | Amount |
|--------------|---------|-------------------|
| 1 | Regular | 3,375,000 |
| 2 | AIP | 10,499,800 |
| Total | | 13,874,800 |

Audit observed that the procurement of medicines was made during the months of May & June, 2020 and the stock received was entered in the stock register but after a lapse of 02 months till July 2020 not a single medicine was issued to any health facility showing that there were balances of medicines available.

Audit is of the view that the purchase was made in advance to utilize the funds available despite the fact that there was no need for it and the public fund was blocked in violation of the above quoted rule. The procurement was thus termed as unjustified.

Matter is reported for justification and corrective action under intimation to audit.

AIR Para No. (2019-20)

2.5.1.10 Irregular drawl and non-disbursement -Rs. 8.207 Million

Para-7 of GFR Vol-I states, unless otherwise expressly authorized by any law or rule or order 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.

The District Health Officer Kurram at Parachinar drew a total amount of Rs. 7,157,137 during 2019-20 as per detail given below.

| S# | Head of Account | Cheque | Date | Amount |
|--------------|-----------------------|---------|------------|------------------|
| 1 | Contingency | 092424 | 11.06.2020 | 2,347,520 |
| 2 | Electricity charges | 924244 | 11.06.2020 | 500,000 |
| 3 | Malaria medicines | 0924246 | 11.06.2020 | 201,405 |
| 4 | Contingency | 0924255 | 15.06.2020 | 322,212 |
| 5 | Encashment of LPR | 0924401 | 19.06.2020 | 1,486,000 |
| 6 | Nutrition bill | 1827282 | 19.06.2020 | 300,000 |
| 7 | Nutrition bill | 1827287 | 19.06.2020 | 2,000,000 |
| 8 | Medical Reimbursement | 0924419 | 23.06.2020 | 469,842 |
| 9 | POL, FTA etc | 1827297 | 23.06.2020 | 580,000 |
| Total | | | | 8,206,979 |

Audit observed that the above amount was drawn through DDO in the last days of June and entered in the cash book on payment side but could not be disbursed till July 2020 as the payment side of cash book was silent regarding payment to the concerned.

Audit is of the view that the amount was drawn just to utilize the available fund and non-disbursement of it was a serious lapse and the amount may have been deposited into private bank account.

Matter is reported for justification and corrective action under intimation to audit.

AIR Para No. (2019-20)

2.5.1.11 Irregular and doubtful appointment

As per Finance Department letter No BO/W&M/1-1/FD/2019-20 dated: 12th September, 2019 there shall be complete ban on further recruitment.

District Education Officer Kurram appointed various categories of staff during the year 2019-20 as detailed below, which is irregular and doubtful and chances of fake appointment could not be ruled outdetail at **Annexure-2**. Audit observed the following:

1. The appointments were made without recommendations of District Selection Committee.

2. Neither 25% quota for retired/deceased employee's children was followed nor was any waiting list prepared.
3. The appointments were made while Finance Department KP has imposed complete ban on new recruitments vide letter stated above.
4. The merit list of Employment Exchange was neither followed nor produced to Audit and men of choice were selected.
5. Approval of the Competent Authority for the appointment against these posts was not available in record of the local office.
6. Approval of Selection Committee was not available in record of the local office.
7. Attendance of the candidates was neither available with the local office nor produced to Audit.

| S# | Name of Employee | Designation | BPS |
|----|----------------------|----------------|-----|
| 1 | Kamal Hussain | Lab: Assistant | 07 |
| 2 | Bilal Hussain | Store Keeper | 05 |
| 3 | AmaarYasir | Lab: Assistant | 07 |
| 4 | SajidRehman | PST | 12 |
| 5 | S. Razi Shah | Lab: Assistant | 07 |
| 6 | Karishma Ali | Lab: Assistant | 07 |
| 7 | Mohammad Danyal | Junior Clerk | 11 |
| 8 | S. RazaBadshah | Junior Clerk | 11 |
| 9 | Syed SarfarazHussain | Junior Clerk | 11 |

8. CNICs, Domiciles, medical certificates, charge reports, advertisement and academic testimonials/credentials were not produced to Audit.
9. Detail of vacant posts at the time of selection and certificate regarding any other appointments besides mentioned in the list was also not produced detail at **Annexure-3**.
10. Verification of credentials, CNICs and Domiciles etc was not produced to Audit.

Audit observed that irregular appointments were made due to weak administrative and internal control.

Government rules and proper selection criteria was not followed due to which suitable candidates were not selected.

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

AIR Para No. (2019-20)

C Management of Accounts with Commercial Banks

2.5.1.12 Unnecessary retention of Rs 122.672 million and irregular cash withdrawal from bank account-Rs 10.700 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.

CTR 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.

During the course of audit of accounts of DEO Kurram for the year 2019-20, it was noticed that a sum of Rs 122.672 million was unnecessarily retained by the local office in designated bank account No. 4048452402 NBP and a sum of Rs 10,700,000 was drawn by the local office in cash from bank account instead of direct payment to the suppliers through cross cheques. Thus chances of misappropriation could not be ruled out.

Audit observed that irregularity occurred due to weak administrative and internal controls, which resulted in violation of Government rules.

Matter is pointed out for detail justification and inquiry.

AIR Para No. (2019-20)

2.5.1.13 Loss to government due to non conversion of current bank account into PLS-Rs 6.133 million

Finance department letter No. 2/3(F/L) FD 20017-18/Vol. ix dated Peshawar the 10th February 2014 provides that Finance Department has from 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.

DEO Kurram made huge transactions and having huge closing balance in current bank account No. 4048452402 (NBP) instead of PLS resulted in loss and violation of the above mentioned criteria.

A huge balance amounting to Rs 122.672 million was remained in bank without profit. Thus the government was put into loss of Rs 6,133,600 as minimum rate of interest i.e. 5%, which needs to be recovered.

Audit observed that maintenance of current designated bank accounts occurred due to violation of rules, which resulted in understatement in provincial receipts during the year.

Audit suggests immediate conversion of current accounts into PLS mode and deposit of profit into Government treasury.

AIR Para No. (2019-20)

2.5.2 VALUE FOR MONEY AND SERVICE DELIVERY ISSUES

2.5.2.1 Irregular and unverified expenditure of - Rs 222.315 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 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 Kurram expended a sum of Rs 222,315,000 during 2019-20 on account of AIP project through PTC account as detailed below. Audit observed the following:

| S# | Head of Account | Amount (Rs) |
|----|---|--------------------|
| 1 | Provision of basic and missing facilities through PTC | 159,305,000 |
| 2 | Provision of free stationery and school bags | 8,070,000 |
| 3 | Development of play area | 54,940,000 |
| | Total | 222,315,000 |

1. The local office transferred the said amount to designated bank account instead of direct transfer to the schools.
2. Further disbursement and vouchers/record and bank statements were not produced to Audit. Thus Audit could not verify the expenditure incurred.
3. As per Government Guidelines regarding PTC funds, all the expenditure should be incurred with the proper approval of the parents Teacher Council. But the local office only transferred the fund to the school and no follow up carried out to know that the fund was properly utilized as per PTC guidelines as such material was not available on the record of the local office.

4. Funds were drawn from government treasury and allocated to PTC without observing tender process as required under KPPRA Rules 2014 Chapter II (1) which states that" 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).
5. The amount was transferred to PTC account of respective school without having mutation of single school to education department.
6. Bank statements of the accounts were not produced to audit despite repeated request, thus authenticity of expenditure could not be made and chances of misappropriation cannot be ruled out.
7. Income tax was not deducted from the expenditure.
8. 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 not of education department.
9. In absence of technical expertise, any mishaps in construction could not be ruled out, which may cause loss to human life.
10. The fund was distributed without any school improvement plan.
11. The survey report of P&D was not available.
12. The funds were transferred without demand of the schools.
13. The fund was utilized without standard specification.
14. The progress report was also not available.

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

Matter is reported for inquiry besides fixing responsibility on person(s) at fault.

AIR Para No. (2019-20)

ANNEXURES

Annexure -1

(Detail of MFDAC Paras)

| S# | Department | Subject | Amount |
|----------------------------|------------------------|---|--------|
| Deputy Commissioner | | | |
| 1. | DC | Irregular opening of private bank accounts without approval of Finance Division | 17.743 |
| 2. | -do- | Blockade due to irregular drawl and retention of fund - Rs. 15.626 million and non deposit of bank profit 2.109 million | 17.735 |
| 3. | -do- | Loss to government due to non-deposit of receipt into government treasury -Rs.2.109 million | 2.109 |
| 4. | -do- | Non-maintenance of log books for consumption POL& repair of vehicles - Rs.1.434 million | 1.434 |
| 5. | -do- | Doubtful drawl due to non-obtaining of actual payee's receipts – Rs.0.292 million | 0.292 |
| 6. | -do- | Irregular expenditure incurred in excess of budget grant-Rs. 7.314 million | 7.314 |
| 7. | -do- | Non-surrender of anticipated savings -Rs.13.637 million | 13.637 |
| 8. | -do- | Physical verification of stores stock not carried out | - |
| 9. | -do- | Internal Check | - |
| Health | | | |
| 10. | DHO (Lower & Central) | Non maintenance Stock Registers for Drugs & Medicine-Rs.32.249 Million | 32.249 |
| 11. | -do- | Non-reconciliation of Deposit Challans - Rs. 1.979 million | 1.979 |
| 12. | DHO Kurram &Parachinar | Irregular and of Health Professional Allowance instead of Health Allowance- Rs. 27.610 Million | 27.610 |
| 13. | -do- | Non-reconciliation of Deposit Challans - Rs. 1.663 million | 1.663 |
| 14. | -do- | Non-surrender of anticipated savings of Rs. 46.387 Million | 46.387 |
| 15. | -do- | Non-reconciliation of electricity bills with TESCO Rs. 1.500 Million | 1.500 |
| Education | | | |
| 16. | Education | Irregular expenditure of Rs 1.521 million | 1.521 |
| 17. | -do- | Irregular and doubtful expenditure on account of contingent paid staff-Rs 420,000 | 0.420 |

| | | | | |
|----------------------|---|--------------|---|---------|
| 18. | | -do- | Unauthentic payment on account of electricity charges-Rs 2.052 million | 2.052 |
| 19. | | -do- | Unauthorized payment without budget provision-Rs 89.531 million | 89.531 |
| 20. | | -do- | Non conducting of internal check | - |
| 21. | | -do- | Non conduction of physical verification | - |
| AD LG&RDD | | | | |
| 22. | 1 | AD LG&RDD | Irregular and unauthorized development expenditure-Rs 73.993 million | 73.993 |
| 23. | 3 | -do- | Non utilization of developmental fund-Rs 108.173 Million | 108.173 |
| 24. | 9 | -do- | Non-imposition of penalty for delay in completion of works-Rs 10.735 million | 10.735 |
| 25. | | -do- | Loss to government due non deduction of income tax-Rs 5.548 million | 5.548 |
| 26. | | -do- | Loss to government due to non deduction of professional tax and stamp duty-Rs 136,250 | 0.136 |
| 27. | | -do- | Non-deduction of DPR fund -Rs 146,000 | 0.146 |
| 28. | | -do- | Irregular and doubtful cash withdrawal from bank account-Rs 1.030 million | 1.030 |
| 29. | | -do- | Non deduction of 11% Voids amounting to Rs 638,605 from contractor's bills | 0.639 |
| 30. | | -do- | Irregular advance payment of Rs 1,530,130 | 1.530 |
| 31. | | -do- | Non conducting of internal check | - |
| 32. | | -do- | Non conduction of physical verification | - |

ANNEXURE -2**Para No.2.5.1.11****IRREGULAR APPOINTMENT OF STAFF**

| S# | Name of Employee | Designation | Pay Scale |
|-----------|-------------------------|----------------------|------------------|
| 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**Para No.2.5.1.11****IRREGULAR APPOINTMENT OF STAFF**

| S# | Name of Employee | Designation | Pay Scale |
|-----------|-------------------------|----------------------|------------------|
| 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 |