



**AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
GOVERNMENT OF
KHYBER PAKHTUNKHWA
AUDIT YEAR 2023-24**

AUDITOR-GENERAL OF PAKISTAN

PREFACE

Articles 169 & 170 of Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8, 12 & 15 of the Auditor-General's (Function, Powers and Terms and Conditions of Service) (Amendment) Act 2018, require the Auditor-General of Pakistan to conduct audit of the accounts of the expenditure from the Provincial Consolidated Fund, Public Accounts and that of Government Commercial Undertakings and Authorities or Bodies established by the Provinces.

This report is based on audit of the accounts of Public Sector Enterprises (PSEs) of Government of the Khyber Pakhtunkhwa for the year 2022-23. The Directorate General of Commercial Audit & Evaluation (North), Islamabad conducted audit during 2023-24 on test check basis, with a view to report only significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1.00 million or more. Relatively less significant issues have been listed in Annexure-1. These audit observations shall be pursued with the relevant Principal Accounting Officers (PAOs) of the Departments at DAC level. In case where the PAO does not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

The DACs meetings were not convened except for one formation, despite repeated requests followed by reminders.

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

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

TABLE OF CONTENTS

	Page
ABBREVIATIONS & ACRONYMS	i
EXECUTIVE SUMMARY	iv
CHAPTER-1	
Industries, Commerce, Mineral Development, Labour and Technical Education Department Khyber Pakhtunkhwa	1
1.1 Sarhad Mineral (Pvt.) Ltd. (SML) Peshawar	4
1.1.1 Introduction	4
1.1.2 Comments on Audited Accounts	4
1.1.3 Compliance of PAC Directives	4
1.1.4 Audit Impact	4
1.1.5 Category-wise Summary of Audit Observations	4
1.1.6 AUDIT PARAS	5
1.2 Khyber Pakhtunkhwa Technical and Vocational Training Authority (TEVTA)	12
1.2.1 Introduction	12
1.2.2 Comments on Audited Accounts	12
1.2.3 Compliance of PAC Directives	12
1.2.4 Audit Impact	12
1.2.5 Category-wise Summary of Audit Observations	12
1.2.6 AUDIT PARAS	13
1.3 Khyber Pakhtunkhwa - Economic Zones Development & Management Company (KP-EZDMC)	34
1.3.1 Introduction	34
1.3.2 Comments on Audited Accounts	34
1.3.3 Compliance of PAC Directives	34
1.3.4 Audit Impact	35
1.3.5 Category-wise Summary of Audit Observations	35
1.3.6 AUDIT PARAS	35
1.4 Government Printing & Stationery Department, (GP & SD) Peshawar	48
1.4.1 Introduction	48
1.4.2 Comments on Audited Accounts	48
1.4.3 Compliance of PAC Directives	48
1.4.4 Audit Impact	48
1.4.5 Category-wise Summary of Audit Observations	48

1.4.6	AUDIT PARAS	49
CHAPTER-2		
SPORTS, CULTURE, TOURISM ARCHAEOLOGY AND MUSEUM DEPARTMENT		57
2.1	Tourism Corporation Khyber Pakhtunkhwa (TCKP) Peshawar	59
2.1.1	Introduction	59
2.1.2	Comments on Audited Accounts	59
2.1.3	Compliance of PAC Directives	59
2.1.4	Audit Impact	60
2.1.5	Category-wise Summary of Audit Observations	60
2.1.6	AUDIT PARAS	60
CHAPTER-3		
FINANCE DEPARTMENT		68
3.1	Hydel Development Fund, Peshawar	70
3.1.1	Introduction	70
3.1.2	Comments on Audited Accounts	70
3.1.3	Compliance of PAC Directives	70
3.1.4	Audit Impact	70
3.1.5	Category-wise Summary of Audit Observations	71
3.1.6	AUDIT PARAS	71
Annex-1	MFDAC Paras	80
Annex-2	Non-Submission of Accounts	82
Annex-3	Recoveries at the instance of audit	83
Annex-A	Formation-wise receipts and expenditure of audit conducted during 2022-23	84
Annex-A1	Formation-wise receipts and expenditure of Khyber Pakhtunkhwa entities under the jurisdiction of the Director Commercial Audit –Wah, Cantt.	85

ABBREVIATIONS & ACRONYMS

ACS	Additional Chief Secretary
ADP	Annual Development Program
AIR	Audit Inspection Report
AGP	Auditor-General of Pakistan
BoD	Board of Directors
BSS	Business Support Services
BOQ	Bill of Quantities
BOK	Bank of Khyber
CGR	Corporate Governance Rules
CPF	Contributory Provident Fund
CSR	Composite Schedule of Rates
CST	Comparative Statement of Tenders
CD	Custom Duty
C&W	Communication & Works
CMTI	Construction Machinery Training Institute
CBC	Commercial Bank Circles
C & WD	Communication & Works Department
CDWP	Central Development Working Party
DAC	Departmental Accounts Committee
DIT	Diploma in Information Technology
DD (F&A)	Deputy Director (Finance & Accounts)
DRA	Disparity Reduction Allowance
DG CA&E	Director General Commercial Audit and Evaluation
DPO	District Police Officer
EPC	Escalation Payment Certificate
KP-ESSI	Khyber Pakhtunkhwa Employees Social Security Institution
ETEA	Educational Testing & Evaluation Agency
EZDMC	Economic Zones Development & Management Company
FBR	Federal Board of Revenue
FAP	Foreign Added Programmes
FATA-DC	Federally Administered Tribal Areas - Development Corporation
FD	Forest Department
FIA	Federal Investigation Agency
FDC	Forest Development Corporation
FDF	Forestry Development Fund
FIR	First Information Report
GoKP	Government of Khyber Pakhtunkhwa
GFR	General Financial Rules

GPI	Govt. Polytechnic Institute
GPI & PF	General Provident Investment and Pension Fund
GTVC	Govt. Technical Vocational Centre
GP&SD	Government Printing & Stationery Department
GM	General Manager
HO	Head Office
HDF	Hydel Development Authority
HR	Human Resources
HVAC	Heating, Ventilation and Air Conditioning
HLB	Habib Bank Limited
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
KP	Khyber Pakhtunkhwa
KM	Kilo Meter
KPFM	Pakhtunkhwa Fund Management
KPPRA	Khyber Pakhtunkhwa Procurement Regulatory Authority
KP-CTA	Khyber Pakhtunkhwa Culture & Tourism Authority
KPTS	Khyber Pakhtunkhwa Testing Services
LD	Late Delivery
MFDAC	Memorandum for Departmental Accounts Committee
MCB	Muslim Commercial Bank
MOU	Memorandum of Understanding
MNCs	Multi-National Companies
MD	Managing Director
MRS	Market Rate System
NAM	New Accounting Model
NAVTTTC	National Vocational & Technical Training Commission
NBP	National Bank of Pakistan
NOC	No Objection Certificate
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PAF	Pakistan Air Force
PEDO	Pakhtunkhwa Energy Development Organisation
PCF	Provincial Consolidated Fund
PIB	Pakistan Investment Bond
PC-1	Planning Commission-Form I
P&D	Planning and Development
PDWP	Provincial Development Working Party
PMDC	Pakistan Mineral Development Corporation
PMTF	Pakistan Machine Tools Factory

PESCO	Peshawar Electric Supply Company
PA	Per Annum
POL	Petroleum, Oil and Lubricants
PSEs	Public Sector Enterprises
PSDP	Public Sector Development Programme
SDA	Sarhad Development Authority
SDGs	Sustainable Development Goals
S&GAD	Services & General Administration Department
SEZ	Special Economic Zone
STC	Sarhad Tourism Corporation
SIDB	Small Industries Development Board
SBP	State Bank of Pakistan
SECP	Securities & Exchange Commission of Pakistan
SML	Sarhad Minerals Limited
SME	Small & Medium Enterprise
KP-STVET	Pakhtunkhwa System of Technical and Vocational Training
SNTD	Short Notice Term Deposit
TCKP	Tourism Corporation Khyber Pakhtunkhwa
TEVTA	Technical and Vocational Training Authority
TDR	Term Deposit Receipt
Vol	Volume
W & S Department	Works and Services Department

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit and Evaluation (DG CA&E), North, Islamabad carries out audit and evaluation of those Public Sector Enterprises (PSEs) established/controlled by the Government of Khyber Pakhtunkhwa which maintain their accounts on commercial basis. Sections 8, 12 & 15 of the Auditor-General's (Function, Powers and Terms and Conditions of Service) (Amendment) Act, 2018 empower the Auditor-General of Pakistan to conduct audit of companies, corporations and authorities established in the public sector.

Out of 17,680 person hours allocated for undertaking field audit activities, 5,424 person hours were utilized for conducting the audit of Provincial Public Sector Enterprises, Government of Khyber Pakhtunkhwa. The annual budget of the Director General, Commercial Audit & Evaluation (North), Islamabad allocated for audit of organizations for the year 2023-24 amounted to Rs 7.00 million. This report contains results of audit inspection and evaluation of financial performance of public sector entities for the financial year 2022-23 conducted during 2023-24.

Comments on audited accounts of 11 organizations (Annexure-2) could not be included in this report as the concerned managements failed to submit their audited accounts by the prescribed date i.e. December 31, 2023.

a. Scope of Audit (Audit Coverage)

This office is mandated to conduct audit of eleven (11) formations working under five Principal Accounting Officers. Total expenditure and receipts of these formations were Rs 12,498.56 million and Rs 13,850.82 million respectively for the financial year 2022-23.

Audit coverage relating to expenditure for the current audit year comprises six (06) formations of 03 PAOs/Departments having total expenditure of Rs 11,099.42 million for the financial year 2022-23. In terms of percentage, the audit coverage for expenditure is 89% of auditable expenditure.

Audit coverage relating to receipts for the current audit year comprises six (06) formations of 03 PAOs/Departments having total receipts of Rs 12,457.71

million for the financial year 2022-23. In terms of percentage, the audit coverage for receipts is 90% of auditable receipts.

This audit report includes audit observations resulting from the audit of expenditure of Rs 11,099.42 million and receipts of Rs 12,457.71 million for the financial year 2022-23.

b. Recoveries at the instance of Audit

As a result of audit, recovery of Rs 218.35 million was pointed out in this report, whereas, recovery affected from January to December 2023 was Rs 46.538 million which was verified by audit (**Annexure-3**).

c. Audit Methodology

Audit methodology for conducting audit of the accounts for the year 2022-23 (including lean period of 2021-22) of the auditee organizations started from audit planning, consulting and updating permanent files. Desk audit helped the auditors in understanding the systems, processes, procedures and environment of the entities before starting field activity. This facilitated to identify high risk areas for audit tests to be applied in the field. Audit was carried out on the basis of adequacy of internal controls system in the organization with specific emphasis on high value items and inherent risk areas. Audit checks were applied keeping in view the nature of transactions, accounting standards and best auditing practices as well as rules and regulations contained in relevant financial and operational manual.

d. Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations and has been able to get compliance of audit recommendations to a greater extent. As a result of audit, management's awareness about weaknesses in internal control mechanisms and overall financial discipline has significantly improved.

e. Comments on Internal Controls and Internal Audit Department

Internal Audit Wings existed in most of the organizations but were working directly under the supervision of the heads of Finance Wing. Resultantly, free and fair opinion of the Internal Audit wing was not forthcoming.

The observations relating to violation of rules and regulations by audited organizations were due to under performance of the Internal Audit Wing. It is stressed that Internal Audit Wing should be placed directly under supervision of Audit Committee of Board, to make its role more effective and meaningful.

f. Key audit findings of the report

Key Audit findings of this report include the following:

- i. There were five (05) reported cases of fraud, embezzlement and misappropriation
- Rs 86.48 million.¹
- ii. There were four (04) cases of HR / employees related irregularities - Rs 36.73 million.²
- iii. There were eleven (11) cases of irregular procurement of store and services
- Rs 1,600.34 million.³
- iv. There were eleven (11) case of value for money and services delivery issues - Rs 13,557.16 million.⁴
- v. There were two (02) cases of recovery – Rs 85.48 million.⁵
- vi. There were twenty four (24) cases of other miscellaneous issues- Rs 9,114.65 million.⁶
- vii. There was one (01) case of non-production of record - Rs 27.93 million.⁷.

g. Recommendations

- i. Ensure effective measures to prevent cases of fraud, embezzlement and misappropriation.

1. 1.2.6.7, 1.4.6.5, 2.1.6.4, 2.1.6.6, 3.1.6.7

2. 1.2.6.1, 2.1.6.2, 2.1.6.7, 3.1.6.6

3. 1.1.6.3, 1.1.6.5, 1.2.6.6, 1.2.6.9, 1.2.6.13, 1.3.6.4, 1.3.6.6, 1.3.6.7, 1.3.6.10, 1.4.6.4, 1.4.6.6

4. 1.1.6.1, 1.2.6.12, 1.2.6.18, 1.3.6.1, 1.3.6.2, 1.3.6.8, 1.4.6.8, 3.1.6.1, 3.1.6.3, 3.1.6.4, 3.1.6.5

5. 1.2.6.14, 1.2.6.15

6. 1.1.6.2, 1.1.6.4, 1.1.6.6, 1.2.6.2, 1.2.6.3, 1.2.6.4, 1.2.6.5, 1.2.6.8, 1.2.6.10, 1.2.6.11, 1.2.6.16, 1.2.6.17, 1.2.6.19, 1.3.6.3, 1.3.6.5, 1.3.6.9, 1.3.6.11, 1.4.6.3, 1.4.6.7, 2.1.6.1, 2.1.6.2, 2.1.6.3, 2.1.6.5, 3.1.6.2

7. 1.4.6.1

- ii. Ensure appointments as per HR Policy/Rules.
- iii. Streamline the procurement procedure to achieve economy, efficiency and value for money in line with Public Procurement Rules.
- iv. Ensure recovery of government dues/levies timely.
- v. Strengthen the internal control systems and monitoring mechanism to counter misuses, losses and damages of resources.
- vi. Ensure implementation of ADP projects timely to avoid cost/time overrun.
- vii. Ensure elements of economy, efficiency and value for money while entering into agreement/contracts.

Chapter–1

Industries, Commerce, Mineral Development and Technical Education Department

Introduction

The Industries, Commerce & Technical Education Department of Government of Khyber Pakhtunkhwa is one of the major Government Institutions striving to promote industrial development, trade and investment in the province. The main focus of activity is promotion of trade and investment in the province. Government of Khyber Pakhtunkhwa is keen on creating a business-friendly investment climate in line with the Federal Government Policies and present the Province as an attractive investment destination for the entrepreneurs/investors. The objective of the Industrial Policy of Khyber Pakhtunkhwa is essentially to develop the economy of Khyber Pakhtunkhwa by taking the following steps:

- To rehabilitate the sick industrial units by taking necessary remedial measures.
- To create more jobs by facilitating Small and Medium Enterprises (SMEs)
- To grow and flourish by providing Business Support Services (BSS) including necessary finances.
- To create more Special Economic Zones (SEZs) to attract local and foreign investors to set up industries.

Attached Departments

- Directorate of Industries and Commerce
- Small Industries Development Board
- KP Board of Investment & Trade
- KPEconomic Zones Development & Management Company
- Trade Testing Board
- KP Board of Technical Education
- Government Printing & Stationary Department
- Sarhad Minerals (Pvt) Ltd
- KP– Technical Education & Vocational Training Authority

Budget and Accounts (Variance Analysis) for the year 2022-23

(Rs in million)

Entity	Particular	Budgeted	Actual	Saving/ (Excess)
SML	Salary, Wages and Staff Expenses	10.36	8.26	2.1
	Other Expenses	21.97	19.88	2.09
	Development & Excavation Expenses	10.52	9.28	1.24
	Total	42.85	37.42	5.43
KP-EZDMC	Operational Expenses	1,096	747	351
	Capital Expenses	538	232	306
	Developmental Expenses	5,728	2,241	3,487
	Total	7,537.4	3,379.36	4,144
KP-TEVTA	Salary & Operational Expenditure	3,095.92	3,000.59	95.33
	ADP	2,252.10	1,132.56	1,119.54
	Total	5,348.02	4,133.15	1,214.87
GP & SD	Expenditures	239.12	195.96	43.16
	Total	239.12	195.96	43.16

Source: Data provided by the Management

Sectorial analysis for the year 2022-23

(Rs in million)

Entity	Particular	Targets	Achievements	Variance Excess/ (Shortfall)
SML	Revenue from Sale of Salt and Other Receipts	44.85	42.26	(2.59)
	Total	44.85	42.26	(2.59)
KP-EZDMC	Operational Revenue	1,195	1,067	(128)
	Capital Revenue	1,458	109	(1,349)
	Developmental Revenue	4,760	1,126	(3,634)
	Total	7,413	2,302	(5,111)
KP-TEVTA	Revenue (Grant + Tuition Fee)	NA	3,294.18	-
	Total	NA	3,294.18	-
GP & SD	Revenue	103.37	103.37	-
	Total	401.30	130.82	-

Source: Data provided by the Management

Audit Profile of “SML, TEVTA, EZDMC and GP&SD”

(Rs in million)

S. No.	Description	Total Nos.	Audited	Expenditure audited for the year 2022-23	Revenue / Receipts audited for the year 2022-23
1	Formations	6	4	5,471.03	4,648.35
2	Assignment Accounts/ SDAs etc.(excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Source: Data provided by the Management

1.1 SARHAD MINERALS LTD (SML), PESHAWAR

1.1.1 Introduction

The Company was registered as a Private Limited Company on May 16, 1984 with equity sharing of Sarhad Development Authority (SDA) 51% and Pakistan Mineral Development Corporation (PMDC) 49%. The registered office of SML is situated in Industrial Estate, Jamrud Road, Peshawar while the principal place of business is situated in District Karak. The principal activity of the company is the exploration, extraction and sale of rock salt etc.

1.1.2 Comments on Audited Accounts

Management failed to provide annual audited accounts of Sarhad Minerals Limited (SML) for the years 2018-19 to 2022-23 till finalization of this report despite repeated requests.

1.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full compliance	Partial Compliance	Pending Paras	% of Compliance
2017-18	3	-	-	3.2.4.1 to 3.2.4.3	0
2015-16	2	-	-	3.3.3.1 to 3.3.3.2	0
2014-15	4	-	-	3.3.3.1 to 3.3.3.4	0

The paras could not be discussed in PAC meetings due to non-convening of Provincial PAC meetings on these reports.

1.1.4 Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations through audit recommendations. As a result of audit, management's awareness about internal controls and overall financial discipline improved considerably.

1.1.5 Category-wise Summary of Audit Observations

Audit observations amounting to Rs 129.27 million were raised in this report during the current audit of SML. Summary of the audit observations classified by its nature is given as under:

Overview of Audit Observations

(Rs in million)

S. No.	Classification	Amount
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
	a. HR / Employees related irregularities	-
	b. Procurement related irregularities	7.06
	c. Management of Accounts with Commercial Banks	1.73
4	Value for money and services delivery issues	3.49
5	Recovery	-
6	Others	116.99

1.1.6 AUDIT PARAS

1.1.6.1 Loss due to non-imposing of penalty on the defaulter contractors - Rs 3.49 million

According to Clause-xiv of the excavation agreements “penalty @ Rs 10 & Rs 20 per metric ton will be charged from the contractors, if they failed to produce the agreed/demanded quantity as per agreement”.

During audit of Sarhad Minerals Limited (SML) Peshawar, for the years 2018-19 to 2021-22, it was observed that as per agreement, the contractors M/s Shams-uz-Zaman, M/s Shahid Wali and M/s Zahoor Wali shall have to produce at least 389,820 tons of rock salt during the period from 2014-15 to 2021-22. The record revealed that all the three contractors failed to achieve the production target and could produce only 138,956 tons of rock salt during above said period with a shortfall of 250,864 tons. Due to weak internal controls, SML management did not impose penalty of Rs 3,490,660 on the contractors by invoking relevant clause of the agreement.

Audit is of the view, that on failure of the contractors in fulfilling contractual obligations, they were liable to be penalized but that was not done, which clearly shows undue favour to the contractors at the cost of public exchequer. The non-imposing of penalty resulted in loss of Rs 3.49 to the company.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request on October 24, 2023 followed by reminders dated November 29, 2023 and January 11, 2024.

Audit recommends to investigate the matter for not taking action against the contractors as per agreement besides fixing responsibility thereof; and made the loss good by effecting recovery either from contractors or the person(s) held responsible.

Para- 3 (SML – 2018-22)

1.1.6.2 Loss due to defective agreement – Rs 55.66 million

According to KP-GFR Chapter-2 Clause-19 (ix), “provisions must be made in contracts for safeguarding government property entrusted to a contractor”.

During audit of Sarhad Minerals Limited (SML) Peshawar, for the years 2018-19 to 2021-22, it was observed that management entered into agreement for excavation of rock salt @ Rs 110 and Rs 120 per metric ton with three private contractors namely M/s Shahid Wali, Zahoor Wali and Shamsu Zaman. As per agreement, SML will provide the gunpowder and safety fuse to the excavation contractors free of cost. As per record, from July 2018 to January 2023 the total production of rock salt was 119,905 metric ton against which gunpowder of 49,770 kgs. was issued to the contractors. Thus, average utilization of gunpowder was 2.41 kgs. for production of one metric ton. Audit further observed from the record that PMDC (a parent company) was also excavated the rock salt at Jatta Bahdur Khel, Karak and their average production of rock salt was 5 metric ton on utilizing per kg. gunpowder (114,245.5 metric ton/22,800 kgs = 5.01 metric ton per kg).

It is worth mentioning here that at the time of award of contract, the management did not fix any production limit against one kg gunpowder. Resultantly, the contractors consumed more than double gunpowder against production of one metric ton as compared to utilization of gunpowder by PMDC, which is also exploring the salt at same vicinity.

The irregularity was occurred due to weak controls of contract management in the organization.

Audit is of the view, that had the SML management fixed the production limit per metric ton against one kg gunpowder at par with PMDC, they could not only increase the production but also can save Rs 55.660 million against the consumption of gunpowder. The excess expenditure is a loss to the company. Thus, due to mismanagement and defective agreement, company was put into loss of Rs 55.66 million.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request on October 24, 2023 followed by reminders dated November 29, 2023 and January 11, 2024.

Audit recommends to investigate the matter of such losses besides fixing responsibility thereof.

Para- 6 (SML – 2018-22)

1.1.6.3 Irregular payment to the contractors without valid agreement - Rs 6.26 million and award of agreement in non-transparent manner - Rs 14.01 million

According to Rule-4(3) of Corporate Governance Rules – 2013, “the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations”.

During audit of Sarhad Minerals Limited (SML) Peshawar, for the years 2018-19 to 2021-22, it was observed that the management entered into salt extraction contract with three contractors i.e. M/s Shamus Zaman, M/s Shahid Wali and M/s Zahoor Wali on 13.9.2014, 12.09.2015 & 12.09.2016 respectively for a period of 01 year @ Rs 110/ metric ton. The contract period of all the three contractors was further extended by the Board up to 30.06.2020, however, thereafter the period was not further extended by the authority but the contractors

are still working and excavating salt and a payment of Rs 6.261 million was made to the contractor up to 31.01.2023.

It is further added that the excavation contracts to M/s Shahid Wali and M/s Zahoor Wali were awarded without calling competitive rates in violation of KPPRA Rules. As the contracts were awarded in non-transparent manners, thus, payment of Rs 14.01 million to the contractor was held irregular.

The irregularity was occurred due to weak controls of contract management in the organization.

Audit is of the view that the payment of Rs 6.26 million and Rs 14.01 million without any valid agreement and in non-transparent manners is termed as irregular which is tantamount to misuse of financial powers.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request on October 24, 2023 followed by reminders dated November 29, 2023 and January 11, 2024.

Audit recommends to investigate the matter of such irregular payment.

Para- 02 & 10(SML – 2018-22)

1.1.6.4 Loss due to non-imposing/deduction of levy - Rs 1.73 million

According to Finance Act, 2022, Sales Tax/C.D. @ 20% was imposed on table/rock salt by the Federal Govt. vide National Assembly Secretariat O.M. No. F.22 (23)/2022-Legis dated 30.06.2022.

During audit of Sarhad Minerals Limited (SML), Peshawar for the years 2018-19 to 2021-22, it was observed that the local management sold a quantity of 18,854 metric ton rock salt valuing Rs 8,657,960/- to three purchasers from 01.07.2022 to 31.01.2022 without levying and deducting the sales tax/CD at notified rate which deprived the public exchequer from revenue of Rs 1.732 million.

The position showed weak financial controls in the organization.

Audit is of the view that the non-deduction of Sales Tax/C.D. of Rs 1.73 million resulted in loss of revenue to the public exchequer.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request on October 24, 2023 followed by reminders dated November 29, 2023 and January 11, 2024.

Audit recommends to investigate the causes due to which the Sales Tax/C.D. could not be recovered from the purchasers besides fixing responsibility thereof and made the loss good by effecting recovery from the person(s) held responsible.

Para- 07 (SML – 2018-22)

1.1.6.5 Ill-planned procurement through splitting - Rs 6.05 million and loss due to purchase of gun-powder at higher rates - Rs 1.01million

According to Chapter – V of KPPRA Rules 2014 “each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders in accordance with Section 22 of the Act”. Further, SML Board in its 55th meeting held on 28.02.2018 decided that explosive would be arranged by PMDC Salt Quarries Jatta/Bahadur Khel under the explosive license.

During audit of Sarhad Minerals Limited (SML) Peshawar, for the years 2018-19 to 2021-22, it was observed that a quantity of 38,460 kgs gunpowder valuing Rs 7,068,744/- and safety fuse 55,800 meters valuing Rs 980,956/- was purchased from M/s PMDC during July 2018 to June 30, 2022. During this period SML management also made spot/cash purchase of said items and a quantity of 24,780 kgs gunpowder valuing Rs 5,499,650 and 28,000 meters safety fuse valuing Rs 551,950 was purchased from M/s Muhammad Younas & Brother Karak. The average price of gunpowder and safety fuse of M/s PMDC was Rs 183.79 per kg and Rs 17.57 per meter respectively, while rates of M/s Muhammad Younas & Brother were Rs 221.93 per kg and Rs 19.71 per meter respectively.

The irregularity was occurred due to non-adherence of KPPRA Rules and Board decision.

Audit is of the view that procurement of gunpowder along with safety fuze valuing Rs 6,051,600 from M/s Muhammad Younas & Brother on cash and single source basis is not only against the KPPRA Rules and SML Board decision but also caused loss of Rs 1,005,029 due to purchase of store at higher rates.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request on October 24, 2023 followed by reminders dated November 29, 2023 and January 11, 2024.

Audit recommends that matter needs to be investigated at appropriate level for fixing responsibility thereof.

Para- 11 (SML – 2018-22)

1.1.6.6 Sale of rock salt without any sale policy and open competitive marketing - Rs 41.06 million

The SML has not framed any policy about sale of rock salt. According to Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013 the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Sarhad Minerals Limited (SML), Peshawar for the years 2018-19 to 2021-22, it was observed that the company management has not framed any sale policy and the rock salt was sold to M/s Shahid Wali, M/s Zahoor Wali and M/s Shams. It is pertinent to mentioned here that the said parties are also the excavation contractors and during the years 2018-22, rock salt valuing Rs 41.06 million was sold to these excavator contractors without any competitive market rates/auction.

The irregularity was occurred due to non-availability of proper sale and marketing policy of the company.

Audit is of the view that the management has failed to develop any sale & marketing policy and not advertised its products in open market. SML has the potential to increase its production manifold by focusing on marketing and sales, targeting the chemical industry and exploring export buyers for its rock salt. The company is relying on a few contractors, resultantly, could not fetch the most competitive price for its product.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request on October 24, 2023 followed by reminders dated November 29, 2023 and January 11, 2024.

Audit recommends to investigate the matter of such slackness on the part of the management, besides fixing responsibility on person(s) at fault.

Para- 15 (SML – 2018-22)

1.2 Khyber Pakhtunkhwa Technical and Vocational Training Authority (TEVTA), Peshawar

1.2.1 Introduction

Khyber Pakhtunkhwa Technical and Vocational Training Authority (TEVTA) was established vide Khyber Pakhtunkhwa Act No.XII of 2015 replacing the erstwhile Khyber Pakhtunkhwa Technical and Vocational Training Agency ordinance 2002 and became effective from December 15, 2014 with the joining of its Managing Director on 02 February 2015, it became operational.

1.2.2 Comments on Audited Accounts

Management failed to provide annual audited accounts for the year 2015-16 to 2022-23 till finalization of this report despite repeated requests.

1.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full compliance	Partial Compliance	Pending Paras No	% of Compliance
2022-23	34	-	-	2.3.6.1 to 2.3.6.34	0
2021-22	15	-	-	3.3.4.1 to 3.3.4.15	0
2020-21	18	-	-	3.5.4.1 to 3.5.4.18	0

The paras could not be discussed in PAC meetings due to non-convening of Provincial PAC meetings on these reports.

1.2.4 Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations through audit recommendations. As a result of audit, management's awareness about internal controls and overall financial discipline improved considerably.

1.2.5 Category-wise Summary of Audit Observations

Audit observations amounting to Rs 1,545.50 million were raised in this report during the current audit of Khyber Pakhtunkhwa Technical Vocational Training Authority (KP-TEVTA). This amount also includes recoverable amount of Rs 177.321 million. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs in Million)		
S. No.	Classification	Amount
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	7.07
3	Irregularities	
	a. HR / Employees related irregularities	9.27
	b. Procurement related irregularities	42.71
	c. Management of Accounts with Commercial Banks	-
4	Value for money and services delivery issues	390.06
5	Recovery	177.32
6	Others	919.07

1.2.6 AUDIT PARAS

1.2.6.1 Un-authorized grant of KP-STVET allowance to the PAF employees - Rs 9.270 million

According to clause 1.1 of the 3rd MoU between KP-TEVTA and KP-STVET on 12.04.2018 “this agreement is subject to observance of provisions of KP-TEVTA Act 2015 (amended 2017) and Rules and Regulations made there under”. Clause 2.3 of the said MoU requires that “all agenda items recommended by Chairman KP-STVET are mandatory to be included in the agenda items for approval of KP-TEVTA BoD”.

During audit of KP- TEVTA Peshawar for the year 2022-23, it was observed that 28 officers/officials of the PAF, attached with the KP-STVET were allowed special allowance w.e.f. July 2019. During audit for the year 2020-21 the audit pointed out the irregularity which was discussed in DAC meeting held 03-02-2022 wherein it was decided that the payment of allowance to STVET employees may be stopped forthwith and the amount already paid needs to be recovered. The committee also ordered an inquiry on the matter, thereafter, the para was not considered further by audit for printing. During audit of 2022-23 it was observed that the concerned management failed to stop payment on this account and despite clear decision of DAC the allowance was regularly paid to the officials up to August 2022 (the month in which the STVET was closed). An amount of Rs 9.270 million was paid to officers (@ Rs 243,958 per month).

Due to weak internal controls, DAC decision was not implemented.

Audit is of the view that special allowance was allowed by the Chairman STVET at its own without the approval of KP-TEVTA, therefore held irregular.

The payment of un-authorized allowance was increased to Rs 9.270 million and after closure of KP-STVET its recovery is remote.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management admitted the facts highlighted by the audit. DAC directed the management to take up the matter with quarter concerned for recovery of amount paid un-authorizedly.

Audit recommends compliance of DAC directives.

Para- 1 (KP-TEVTA – 2022-23)

1.2.6.2 Irregular retention of KP-TEVTA funds by the defunct KP-STVET – Rs 102.65 million and expenditure of - Rs 26.19 million

The KP-Industries Department vide letter dated 13-08-2020 conveyed the directives of the Chief Minister, Khyber Pakhtunkhwa to MD KP-TEVTA for implementation, in which the TEVTA was directed to take over custody of nine vehicles from KP-STVET and impose moratorium on transfer of further funds to KP-STVET till consideration and approval of the KP-TEVTA Board. Further, in compliance to the decision of TEVTA Board, MD KP-TEVTA vide office order dated 28.04.2023 issued directions, according to which the mutual coordination/understanding with defunct KP-STVET administration is ceased with immediate effect. All the financial accounts maintained by KP-STVET are hereby closed with immediate effect and the saving shall be surrendered to the relevant accounts of KP-TEVTA accordingly and no further developmental and operational expenditure shall be made out of KP-TEVTA funds/accounts.

During audit of KP-TEVTA Peshawar for the year 2022-23 it was observed that the KP-STVET management failed to surrender the funds of KP-TEVTA Rs 102.648 million in compliance to the decision of KP Government and KP-TEVTA Board. The MD KP-TEVTA vide office order dated 28.04.2023 issued directives that all the financial accounts maintained by KP-STVET are hereby closed with immediate effect and the savings shall be surrendered to the relevant accounts of KP-TEVTA accordingly.

The record further revealed that after above said decision of the competent authority the KP-STVET continue to make expenditure from the account and an amount of Rs 26.19 million was incurred without having any lawful authority.

Due to weak controls of financial management, the amount could not be retrieved from the defunct KP-STVET.

Audit is of the view that after above said decision of the competent authority there was no justification with STVET to maintain the above bank accounts further. The act of the management of keeping the amount of Rs 102.65 million in accounts and expenditure of Rs 26.19 million therefrom is termed as irregular.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024, the management admitted the facts highlighted by audit. DAC directed the management to take up the matter with STVET management for recovery of amount lying with them in bank accounts from the date the activities of STVET were ceased by the competent authority.

Audit recommends compliance of DAC directives.

Paras- 2 & 3 (KP-TEVTA – 2022-23)

1.2.6.3 Non implementation of approved ADP projects despite release of funds – Rs 109.009 million

According to Section – 1.2 of the KP-Annual Development Plan Policy “the ADP has to be a reflection of the vision and priorities of the Government of Khyber Pakhtunkhwa. Therefore, in its formulation, it should help achieve the goals and objectives of the provincial government”.

During audit of KP-TEVTA Peshawar for the year 2022-23 it was observed that the Competent Authority approved PC-I of the project titled “KP Youth Internship Program in Leading Industry & MNCs” in 2019 with 3 years’ implementation period from 2021-22 to 2023-24. Funds of Rs 20.00 million were released to the TEVTA in 2020-21 and Rs 30.00 million in 2021-22. The record revealed that the management has not so far started the scheme and the amount is lying in bank account of TEVTA.

Similarly, in another case fund Rs 5.250 million were available with the KP-TEVTA under regular MNC since long, whereas, during 2022-23 an amount of Rs 30.00 million was further released by the Finance Department. The amount could not be considered for utilization against specific project and is lying in bank account.

To promote the Private Public Partnership in the KP-Province the provincial government introduced Public Private Partnership mode in the province and an amount of Rs 23.759 million was released to the KP-TEVTA in 2019-20. The management has failed to implement the program and the amount is lying in TEVTA bank account since receipt.

Due to weak operational management, the projects could not be launched.

Audit is of the view that the above said position showed that the KP-TEVTA management is not serious in implementation of projects approved under ADP despite releases of funds. The KP-Planning & Development Division vide its letter dated 14.03.2023 showed its concern over delay in implementation of approved ADP projects. Non-implementation of projects despite release of funds Rs 109.009 million against above said projects was grave negligence on the part of concerned management.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management stated that the matter is under process. DAC directed the management to implement the programs without further loss of time.

Audit recommends compliance of DAC directives.

Para- 4 (KP-TEVTA – 2022-23)

1.2.6.4 Un-authorized retention and utilization of interest earned on ADP funds - Rs 56.530 million

According to the Government of KP Finance Department notification No. BO (RES-111) FD/2-2/2013-2014 dated 27.06.2013, No2/3- (F/L)/FD/ 2019-20/ Vol-XIII dated 03.02.2020 & No. 2/3- (F/L)/FD/2007-08/Vol-IX dated 02.06.2015 “interest/profit accrued/earned on the funds placed in commercial banks may be deposited in government treasury under the given relevant head of account”. The Finance Department further stated that “all heads of Govt. Departments/ Autonomous/ Semi-Autonomous bodies/ Corporations are requested to ensure compliance of the above instructions of the Government and send a copy of challan profit deposited to the Finance Department for record”.

During audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that the management maintained account No 3003207683 at Bank of Khyber, Peshawar. All the Funds released by the Finance Department against different ADP projects are placed/deposited therein. As per monthly bank

statement a handsome profit/interest of Rs 56.530 million was credited in the account during the year 2022-23.

Due to weak financial controls in the organization, the irregularity was occurred.

Audit is of the view that the interest earned on said funds needs to be deposited in to government treasury as per standing instruction of the provincial government, but the management utilized the said amount without the approval of the Finance Department. Thus, retention and utilization of profit/interest of Rs 56.530 million without having any lawful authority is held irregular/un-authorized.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management apprised that as per KP-TEVTA Act 2015, Board may invest money in government saving schemes. Audit informed the committee that as per directives of the Finance Department the interest amount needs to be deposited in govt. treasury. DAC directed the management to refer the case to Finance Department for clarification.

Audit recommends compliance of DAC directives.

Para- 5 (KP-TEVTA – 2022-23)

1.2.6.5 Non-surrender of savings of institutes to the government – Rs 30.689 million

As per rule of 95 of KP GFR Vol-I “all anticipated saving should be immediately surrendered to the Government before closing of financial year”.

During audit of KP-TEVTA for the year 2022-23, it was observed that the main source of funding of authority for its operational requirement is one-line budget grant from KP Government for operational expenditure of KP-TEVTA HQ and its institutes. During the year 2021-22 and 2022-23 the KP Government has granted operational budget of Rs 517.678 million and Rs 690.637 million respectively to the Authority, which was accordingly allocated to all institute of KP-TEVTA. At year-end the institutes surrendered the unspent amount/savings of Rs 30.689 million to KP-TEVTA (2022-23 Rs 29.417 million + 2021-22 Rs 1.272 million). The KP-TEVTA management did not surrender the savings to government rather was kept in bank account. The act of the management was not in line with the directives of the government, thus, held irregular.

Due to weak administrative controls, the amount was not surrendered to the government.

Audit is of the view that each year the KP-TEVTA has demanded handsome amount and despite its limited resources, the provincial government provided the said grant amount to the Authority for its operational expenditure. Saving means the amount was demanded in excess of the actual requirement, thus, needs to be surrendered to the government.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management apprised the committee that due to shortage of funds the savings could not surrendered to the government. DAC directed the management to refer the case to Finance Department with full facts for clarification.

Audit recommends compliance of DAC directives.

Para- 6 (KP-TEVTA – 2022-23)

1.2.6.6 Irregular award of work of feasibility report at higher rate – Rs 5.145 million and payment against a defective report – Rs 3.859 million

As per KP-PPRA 2014, Rule- 6(iv) “the lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid”. Further, Section – 2.6 of the KP-Annual Development Plan (ADP) Policy 2019-23 provides that “each sector should develop a sectorial plan that guides ADP project selection. Projects should contribute to achieving the outcomes the sector intends to achieve, and these outcomes should in turn be driven by a clear definition of sectorial needs, and solutions, policies and strategies to fulfill them. The financial constraints at hand must also be considered in developing these plans”.

During audit of the KP-TEVTA, Peshawar for the year 2022-23 it was observed that as a result of tender for preparation of feasibility study report for establishment of Construction Machinery Training Institute (CMTI) in newly merged areas of FATA in December 2020, three firms i.e. M/s Shaz Consultant, M/s ESS-I-AAR Consultant JV and M/s Structural Engineering Solution JV technically qualified. M/s ESS-I-AAR Consultant quoted the lowest rate Rs 4.404 million, while, M/s Shaz Consultant was 2nd lowest with Rs 5.145 million. The management ignored the 1st offer and awarded the work to 2nd

lowest firm M/s Shaz Consultant. Further, the contract was signed with the firm in March 2021, whereas, the date of Stamp Paper and attestation of Notary Public was 13.09.2021.

The Feasibility Report submitted by the firm in January 2022 (with delay of 6 months) was not up to the mark and the management pointed out a number of deficiencies, which were not removed by the firm, however, payment of Rs 3.859 million was released to the firm. The report prepared with estimated cost of Rs 2,350.997 million, in view of huge cost of the project the competent authority did not consider the project feasible. The savings of Rs 1.286 million were also not surrendered to the government.

Due to weak internal controls the procurement was made in violation of KPPRA Rules.

Audit is of the view that rejection of 1st offer of a qualified firm is against the norms of KP-PPRA Rules, thus, award of work Rs 5.145 million is held irregular. The act also caused loss of Rs 0.741 million to the KP-TEVTA. Further, payment to the firm on submission of a defective report is also not justified.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management apprised that the firms to whom contract was awarded secured the highest marks. Audit informed the committee that the management rejected the firm who offered lowest rate. DAC directed the management to get the relevant record verified from audit.

Audit recommends compliance of DAC directives.

Para- 7 & 8 (KP-TEVTA – 2022-23)

1.2.6.7 Misappropriation of tuition fee of DIT – Rs 7.071 million

According to Rule – 5(5)(a) (i) of the SECP Corporate Governance Rules, 2013, “the Board shall establish a system of sound internal controls, which shall be effectively implemented at all levels to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, the principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees”.

During audit of KP-TEVTA Peshawar for the year 2022-23 it was observed from the record of GTVC (B) Khaki, Mansehra that the institute management did not maintain cash book and other accounting records in respect of fee collected from students of Diploma in Information Technology (DIT). During visit, the concerned management informed that no cash book or other record is available in respect of fee collected from students. The audit worked out tuition fee of Rs 7,071,160 received from students during the period from 2020-21 to 2022-23 (2020-21 – Rs 2,240,000 + 2021-22 – Rs 2,291,140 + 2022-23 – Rs 2,540,020), however, no cash book was maintained showing receipt and expenditure. Further, the Principal of the Institute reported involvement of Accountant in embezzlement of Rs 471,892, surprisingly instead of taking any disciplinary action against the culprit who was transferred from Mansehra to GTVC(W) Swabi.

Position showed weak internal controls in the organization at Institute level.

Audit is of the view that non-maintenance of accounting record of receipts and payments is serious offence on the part of management. On the other hand, no disciplinary action was initiated against the Accountant, involved in act of fraud.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management admitted the facts. DAC directed the management to hold a fact-finding inquiry on the issue.

Audit recommends compliance of DAC directives.

Para- 9 (KP-TEVTA – 2022-23)

1.2.6.8 Non-implementation of Chief Minister Free Technical Education Program and non-surrender of left over amount to the government – Rs 363.913 million

The Khyber Pakhtunkhwa Government has allocated fund of Rs 700 million for imparting free Technical Education Training to the youth of KP Province. The implementation of this program was started during financial year 2011 and implemented in three phases from 2011-12 to 2013-14 with cost of Rs 400 million. The Board decided that the left over amount of the program may be utilized for short-term training of the youth of KP and newly merged areas.

During audit of KP-TEVTA Peshawar for the year 2022-23 it was observed that the KP-Government approved & released an amount of Rs 700.00 million for a scheme titled ‘Free Education Training to youth of KP Province’ during the period from 2011-12 to 2013-14. During this period, an amount of Rs 400 million was expended on the program leaving unutilized balance of Rs 300.00 million. Complete record comprising PC-I or Feasibility Study Report of the program along with other relevant record was not provided by the management. However, in 2019 the TEVTA Board in 13th meeting decided to utilize the said leftover amount on free training of youth in KP-TEVTA own institutes. Accordingly, 6 months’ training was started and an amount of Rs 154.043 million was expended on training. Although, the trainees were registered with technical board by paying fee Rs 3.30 million but neither the examination was held nor any certificate was granted to the trainees. In the absence of proper examination and training certificate the expenditure is termed as wasteful. The major portion was expended on account of remuneration to the teaching and non-teaching staff of the institute in addition to their routine pay.

Position showed weak internal controls in the organization.

Audit is of the view that the program was launched in 2011 for three years i.e. 2011-12 to 2013-14, thus, thereafter, the leftover amount was required to be surrendered to the KP-Government, however, the KP-TEVTA management expended the funds for other purposes. As the act of management is not covered under the rules, thus, retaining the leftover amount of Rs 300 million and profit earned on said amount Rs 63.913 million is termed as irregular.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management apprised the committee that the funds in question are in safe custody and are being utilized for the very purposes. DAC directed the management to refer the case to the KP Government with full facts for further guidance/clarification.

Audit recommends compliance of DAC directives.

Para- 10 (KP-TEVTA– 2022-23)

1.2.6.9 Irregular expenditure on purchase of books in-violation of proper procedure – Rs 20.00 million

According to Para – 5 of the Revised Administrative Approval dated 27-04-2023, “the sanctioning authority shall allow appropriate rates after observing all codal formalities/standing instructions regarding schedule of rates and financial regularity”.

During the audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that the Finance Department vide letter dated 19.04.2023 conveyed concurrence of the scheme titled “One Liner Provision for Improvement & Development of Technical Education”. The scheme included purchase of books for four GPIs and an amount of Rs 20.00 million was allocated for this purpose. Accordingly, purchase orders of Rs 20.00 million were issued to M/s Atlas Book Bank on 13.01.2023 on the basis of three hand collected quotations. It was observed that the Administrative approval was received on 27.04.2023, whereas, the purchase orders were issued on 23.01.2023 i.e. prior to receive of Administrative Approval. The supplier submitted the quotation on 24.12.2022, delivery challan and bill was received 09.12.2022 i.e. prior to quotation date and purchase orders. All above said facts showed that the books were purchased from the person of own choice without adopting proper procedure just to favor the firm at the cost of public funds.

Due to weak procurement controls, proper procurement procedure was not adopted.

Audit is of the view that the procedure adopted for the purchase of books and delivery of books prior to placement of order and receive of Administrative approval is not covered under the rules, thus, held irregular. Further, the books were selected without the consultation of concerned Institutes, during visit to GPI Mansehra the institute management was not satisfied with the selection.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management apprised the committee that the books were purchased from the firm offered lowest rates. DAC directed the management to hold a fact-finding inquiry on the matter.

Audit recommends compliance of DAC directives.

Para- 11 (KP-TEVTA – 2022-23)

**1.2.6.10 Illegal occupation of educational institutes resulted in loss -
Rs 180.200 million**

According to para (5) (a) of the Public Sector Companies (Corporate Governance) Rules, 2013 as amended up to April 21, 2017 “the principle of probity and propriety entails that company’s assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The KP-TEVTA has not devised any mechanism to have a watch on its institutes working in remote areas of KP”.

During audit of KP-TEVTA for the year 2021-22, it was observed that two institutes located at Miranshah and Chaghmalai Sararogha were occupied by Pakistan army in 2004-05 without taking approval from Provincial Government or TEVTA. Whereas, the TEVTA management started its institutes in rented buildings. Provincial Government and TEVTA management issued a number of letters to Pakistan army for vacation of buildings but without any response. Pakistan army neither provides any substitute nor paid rent of occupied buildings to TEVTA. The payment of rent at places where the TEVTA has its own institute buildings is not justified which caused extra financial burden of Rs 180.200 million which is a loss (Miranshah Rs 106.00 million + Chaghmalai Rs 74.200 million).

The irregularity was occurred due to weak internal controls in the organization.

Audit is of the view that the KP Government established technical institutes in said remote areas for imparting skilled trainings to the youth of the area but occupied by the Pakistan army. Due to non-vacation of buildings, the TEVTA management hired rented building and non-payment of rental charges by the occupants resulted in loss of Rs 180.200 million.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management admitted the facts. DAC directed the management to take up the matter at appropriate level for retrieval of TEVTA buildings.

Audit recommends compliance of DAC directives.

Para- .12 (KP-TEVTA – 2022-23)

1.2.6.11 Irregular utilization of funds of expired and dropped out projects - Rs 46.890 million

As per rule of 95 of KP GFR Vol-I “all anticipated saving should be immediately surrendered to the Government before closing of financial year”.

During audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that two projects titled “Provision of Infrastructure Facilities & Equipment for the Up-Graded GPIs at Timergera, Takhtbhai, Swabi, Abbottabad, Kohat & Nowshera to the Level of Technology” and “Procurement of Equipment/Machinery, Furniture & Library Books for GPIs in KP” were approved by the PDWP at a cost of Rs 900.2421 million and Rs 363.780 million respectively in December 2015, the Administrative approval was issued by the competent authority on 08.02.2016.

The management failed to implement the schemes within scheduled time and the PC-I of both the projects was expired in June 2021 and projects were dropped out from the ADP Schemes. Despite the fact that the PC-I of the projects have since been expired and dropped out from the ADP schemes, tenders were called for through press and purchase orders worth Rs 46.890 million were issued on 24.06.2022.

Due to weak project management, the projects could not be implemented timely.

Audit is view that after expiry of PC-I and drop out of projects, the already released amount needs to be surrendered to the government. But in this specific case, fund of expired PC-I and dropped projects were utilized which is not covered under the rules, hence, the expenditure of Rs 46.89 million is termed as irregular.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management admitted the delay. DAC directed the management to hold a fact-finding inquiry on the issue.

Audit recommends compliance of DAC directives.

Para- 13 (KP-TEVTA– 2022-23)

1.2.6.12 Unjustified abnormal delay resulted into cost overrun - Rs 81.132 million

PC-1 for establishment of Government Technical Institute (Boy), Dara Adam Khel valuing Rs. 80.802 million was administratively approved by BOD of FATA-DC on 15.09.2017. As per PC-1, date of duration of the project was August 2017 to June 2020.

During audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that FATA-DC administratively approved PC-1 for establishment of Government Technical Institute (Boys), Darra Adam Khel valuing Rs. 80.802 million in September 2017 with completion date up to June, 2020. FATA-DC awarded the civil work to Works & Services (C&W) Department, Merged Areas, Secretariat, in November 2017. Work of Package-I (const. of main building) was not awarded to any contractor but works of package-II (Electrification) & III (Development) were awarded to M/s Daud & Brothers and M/s Fifty Star Construction on November 15, 2017 respectively. The firm completed the package-III work (compound wall, overhead tank and tube well bore), however, work of construction of main building is yet to be awarded and due to very reasons, work on Package- II (Electrification Work) could not be started. Original PC- 1 has been expired on June 30, 2020. Executive Engineer, C&W Kohat submitted revised cost, enhanced by Rs. 152.649 million as per MRS-2022. PC-1 of revised cost is yet to be approved.

Position showed lack of interest of KP-TEVTA management and C&W department.

Audit is of the view that C&W department failed to execute/complete the project even after lapse of almost six years which resulted in increase in cost from Rs 71.517 million to Rs. 152.649 million. The main reasons of non-completion of the project was non-award of civil work of Main Building. Due to delay in execution of work the cost increased (cost of overrun & time over run factors) by Rs 81.132 million.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management admitted the facts highlighted by audit. DAC directed the management to take up the matter with C & W Department presenting all the points highlighted by audit.

Audit recommends compliance of DAC directives.

Para- 14 (KP-TEVTA–2022-23)

1.2.6.13 Loss due to procurement of store at higher rates - Rs 22.712 million and irregular procurement of changed specification store - Rs 20.920 million

As per PCs-1 of the projects titled “Introduction of 02 technologies (Civil & Electrical) at Govt. Technical Institute, Sadda Kurram Agency” and “Overcoming of Staff/Equipment deficiencies in Technical Institutes in FATA” Machinery & Equipment items have mentioned with specification and the contractor was bound to supply the store as per specification.

During audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that PC-1 of two projects were approved on 26.12.2017 at a cost of Rs. 104.76 million and 87.094 million respectively with completion period of three years i.e. upto June, 2020. Each projects included procurement of electrical technology/machineries valuing Rs. 12.767 million. The management could not procure the equipment in due time, later on, due to increase in cost, both the PC-1s were revised to Rs. 181.841 million and 107.854 million respectively. Despite having funds, the management did not initiate procurement process up to November 2022. In December 2022, two contracts dated 18.04.2023 for purchase of equipment were awarded to M/s Electrical Engineering Services, Lahore at his quoted rate of Rs. 24.143 million each against PC-1 cost of Rs. 12.767 million each. Non-initiating of procurement process timely resulted in time & cost overrun factors due to which cost enhanced by Rs 22.712 million (Rs 24.143 million x 2 projects – Rs 12.767 million x 2 projects) which was 189% higher than PC-1 cost.

Audit further observed that PC-1 contained specification of each revenue item (Machinery & Equipment) on the basis of which Tender documents were issued and technical evaluation was carried out. However, the management issued both the purchase orders of 81 items valuing Rs. 24.143 million each in which 19 items valuing Rs. 10.460 million each were of changed specification (to lower capacity).

The irregularity was occurred due to inefficient project management.

Audit is of the view that sufficient funds against said projects was available with the TEVTA even then the management failed to procure the items

approved in PCs-I and abnormally delay attributed the fact of price hike due to which the management compromised on specification and quality of the product. As the management did not follow the specification given in PC-1 and Tender documents while placing the orders due to which procurement worth Rs 20.920 million is held irregular.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management admitted the facts highlighted by audit. DAC directed the management to hold a fact-finding on the matter.

Audit recommends compliance of DAC directives.

Para- 16 & 17 (KP-TEVTA – 2022-23)

1.2.6.14 Non-recovery of outstanding training dues from NAVTTC - Rs 51.071 million

According to Para-v (I) of Article-VI, of NAVTTC agreement “first financial release of 40 % of overall training cost will be released based on the first deliverables, second financial releases of 30% on second deliverables, third financial release of 20% on third deliverables and final financial release of 10% will be released based on fourth deliverables i.e. satisfactory completion of training program”.

During audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that the management executed an agreement dated March 2022 with National Vocational & Technical Training Commission (NAVTTC), Islamabad for provision of six months high-tech and conventional trainings to 1,958 students of Batch-III in 49 institutes of TEVTA at a cost of Rs. 85.118 million. Record revealed that KP-TEVTA completed the six months training in September 2022. However, NAVTTC released an amount of Rs. 34.047 million to KP-TEVTA against overdue amount of Rs 85.118 million, while, remaining amount of Rs. 51.071 million is yet to be released. The amount is pending due to non-reconciliation of figure with the NAVTTC as the Commission has also its claim on TEVTA.

Position showed weak controls of financial management in the organization.

Audit is of the view that after above said claim of the NAVTTC management, the TEVTA was required to reconcile its figures with the

Commission for the materialization of claimed amount of Rs 51.071 million. Delay in reconciliation might resulted in loss to the TEVTA on this account.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management apprised that the reconciliation process is in process. DAC directed the management to complete the process at the earliest and recover the overdue amount from NAVTTC.

Audit recommends compliance of DAC directives.

Para- 21 (KP-TEVTA – 2022-23)

1.2.6.15 Non-recovery of training charges from Auqaf Department - Rs 34.413 million

According to para- 1.13 and 1.14, “Sponsoring Department (Auqaf) will finance the training in the agreed areas of skills while adhering to parameters of the project and will set the funds transfer mechanism jointly. Implementing Department (KP-TEVTA) will overall responsible for internal administrative and financial control of the program in accordance with the budget allocation”.

During audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that the management signed a Memorandum of Understanding (MoU) dated February 25, 2020 with KP - Auqaf, Hajj, Religious and Minority Affairs Department, Govt. of KP for provision of three months, six months and twelve months’ trainings to 1875 students in different trades/technologies in three batches from 2019-20 to 2021-22 at a cost of Rs. 250.800 million (Rs 83.6 million for per batch of 625 trainees). The training of batch – I & II has been completed successfully, however, the Auqaf Department released an amount of Rs 37.023 million against total expenditure of Rs 51.335 million leaving a balance of Rs 12.61 million. The management issued several letters followed by reminders to Auqaf Deptt. for payment of overdue amount of Batch – II but the department even failed to reply to said letters.

Despite the fact that the issue is unresolved, the KP-TEVTA has started training of Batch III. The management has so far incurred an amount of Rs 24.802 million on training of Batch – III up to September, 2023 from its own account and the Auqaf Deptt. has not released even a single penny. Thus, incurring of Expenditure without allocation of funds is not justified at all.

The position showed weak financial as well as administrative controls in the organization.

Audit is of the view that the matter for recovery of training charges of Batch – II was un-resolved, the management started training of Batch – III without involving the Auqaf Department. Resultantly an amount of Rs 24.803 million, incurred by the management is yet to be recovered from the Auqaf Deptt. The total recoverable against Auqaf on account of training charges increased to Rs 34.413 million.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management admitted the facts. DAC directed the management to recover the overdue amount from the concerned department and get it verify from audit.

Audit recommends compliance of DAC directives.

Para- 22 (KP-TEVTA– 2022-23)

1.2.6.16 Non-completion of projects started since long valuing - Rs 384.911 million

As per summary for the Chief Minister Govt. of KPK dated May 22, 2014 “block allocation for KP-TEVTA for the year 2014-15” an amount of Rs. 1,439.800 million may be placed at the disposal of TEVTA in non-lapsable account. The amount shall be used for developing Annual Development Program to TEVTA for the next financial year. Annual Development Program of the Government for the year 2014-15 will not contain any new development scheme for TEVTA”.

During audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that the KP Government placed an amount of Rs. 1,439.800 million (non- lapsable) in May 2014 at the disposal of TEVTA for annual development program for the financial year 2014-15. Record revealed that the management prepared 148 development projects valuing Rs. 1,084.39 million against allocated budget of Rs. 1,439.800 million leaving a balance of Rs 355 million till date. The competent authority approved PC-I of 10 projects at a total cost of Rs 384.911 million, which were started during the period from 2015 to 2017 and an amount of Rs 203.716 million has so far incurred on these projects, the scheduled completion date of said projects has since been expired but the projects are yet to be completed.

Position showed weak administrative control in the organization.

Audit is of the view that non-utilization of available funds against ADP schemes and non-completion of projects since long showed inefficiency on the part of management, which might result in increase in cost due to price hike in market.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management apprised the committee that some projects have been completed. DAC directed the management to get the relevant record along with PC-IV of completed project verified from audit.

Audit recommends compliance of DAC directives.

Para- 23 (KP-TEVTA – 2022-23)

1.2.6.17 Loss due to non return of KP-TEVTA vehicle by KP-STVET - Rs 3.00 million

The KP-Industries Department vide letter dated 13-08-2020 conveyed the directives of the Chief Minister, Khyber Pakhtunkhwa to MD KP-TEVTA for implementation, according to which the TEVTA was directed to take over custody of nine vehicles from KP-STVET and impose moratorium on transfer of further funds to KP-STVET till consideration and approval of the KP-TEVTA Board.

During audit of KP-TEVTA Peshawar for the year 2022-23 it was observed that in compliance to the decision of KP Government and KP-TEVTA Board, all the institute run by the KP-STVET were taken back by the KP-TEVTA along with assets. The record revealed that the management of KP-STVET failed to return a vehicle Toyota Corolla GLI-2015 No. AA-4692 having market price of Rs. 3.00 million despite repeated requests by the TEVTA management.

Position showed weak administrative control in the organization.

Audit is of the view that after closure of KP-STVET, there was no justification to retain the above said vehicle further. The act of the management is termed as irregular and the vehicle valuing of Rs 3.00 million retained by the management of KP-STVET after taken back the institute by KP-TEVTA have no logical grounds thus, held irregular.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management admitted the facts highlighted by audit. DAC directed the management to take up the matter at appropriate level for recovery of vehicle from the concerned department.

Audit recommends compliance of DAC directives.

Para- 24 (KP-TEVTA– 2022-23)

1.2.6.18 Loss due to advance payment without bank guarantee to a defaulter company - Rs 10.705 million

According to para (5) (a) of the Public Sector Companies (Corporate Governance) Rules, 2013 as amended upto April 21, 2017 the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to the following, namely: - (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and claiming of expenses. The KP-TEVTA has not devised any mechanism to have a watch on its institutes working in remote areas of KP.

During audit of KP-TEVTA Peshawar for the year 2022-23, it was observed that the management made an advance payment of Rs 72.00 million to M/s Pakistan Machine Tools Factory (Pvt.) Ltd (PMTF) Karachi in 2019 against purchase order dated 19.4.2019 for procurement of 13 machines. The supplier supplied 11 machines and failed to deliver two Shaper Machines valuing Rs 7.254 million and one Cylindering Grinding Machine valuing Rs. 3.451 million.

The irregularity was occurred due to weak financial control of the management.

Audit is of the view that the TEVTA management made advance payment without securing its interest through bank guarantee. Even the DD (F&A) also objected advance payment without bank guarantee, however, the management made payment and now the supplier has failed to deliver the machines and the TEVTA has sustained loss of Rs 10.705 million on this account.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the

management admitted the facts highlighted by audit. DAC directed the management to hold a fact-finding inquiry on the matter to find reasons under which the 100% advance payment was made without bank guarantee.

Audit recommends compliance of DAC directives.

Para- 25 (KP-TEVTA – 2022-23)

1.2.6.19 Non-compilation of annual accounts for the years 2015-16 to 2022-23 and non-preparation of general ledger/trial balance.

According to KP-TEVTA Revised Regulation 2021, Regulation-VI, Chapter-2, Clause 11 (i) “The book of accounts shall be maintained separately” & (ii) “The Authority shall appoint a firm of Chartered Accountants to get the Funds audited”. Furthermore, KP-TEVTA Regulation-I, Chapter 2, Clause 11 (2) vii provides that “Computerize all the activities of the Head Office, Regional Offices and Collages / Institutions of the Authority” and Clause 11 (2) viii provides that “arrange proper networking of all the activities of Head Office, college and institutions of the Authority and update it from time to time”.

During Audit of KP-TEVTA (HO) Peshawar for the year 2022-23 it was observed that KP-TEVTA failed to compile/finalize annual accounts for the years from 2015-16 to 2022-23. Even the management did not prepare general ledger/trial balance for the above said period. Although, the management hired the services of a Chartered Firm in 2021 for compilation of annual accounts since inception to 2021-22 but the accounts are yet to be compiled. The main reason of non-compilation of accounts was improper maintenance of accounting record. As per record during the period from 2017-18 to 2022-23 the income/receipts of the Authority was Rs 25,861.351 million against which the expenditure was of Rs 18,774.187 million, however the accounts of said figures are yet to be compiled.

Moreover, the KP-TEVTA is running 106 technical institutes and assets/inventory worth billions of rupees was purchased for said institutes, however, the management has no record of said inventory. In the absence of proper record of assets/inventory, their existence is open to doubt.

Position showed weak financial management of the organization.

Audit is of the view that non-preparation/compilation of annual accounts as well as other accounts record, firstly, restricts the management/BoD to make quick and right decisions and secondly the BoD is unaware about the status of receipts/expenditure/assets/liabilities. The Board has also not approved the

addition/deletion in assets during said period. Further, non-compliance to its own regulation is a serious lapse on the part of management.

The irregularity was reported to the management and department on October 06, 2023. During DAC meeting held on January 23, 2024 the management apprised the committee that the services of a firm has been hired. DAC directed the management to get the annual accounts complete at the earliest and maintain the books of accounts including General ledger and get it verified from audit.

Audit recommends compliance of DAC directives.

Note: The issue was reported earlier also in the audit report for the audit year 2022-23 vide para number 2.3.6.13, audit year 2021-22 vide para number 3.3.4.15 and audit year 2020-21 vide para number 3.5.4.1. Recurrence of same irregularity is a matter of serious concern.

Para-26 (KP-TEVTA-2022-23)

1.3 Khyber Pakhtunkhwa - Economic Zones Development & Management Company (KP-EZDMC), Peshawar

1.3.1 Introduction

Khyber Pakhtunkhwa Economic Zones Development and Management Company (KP-EZDMC) was originally established on March 13, 2015 under Section 5 of Companies Ordinance 1984. Later on, it was registered as a public company limited by guarantee under Section – 42 (not for Profit Company) of the Companies Ordinance 1984.

The Company is engaged in the establishment and up-gradation of new economic zones and existing economic zones/industrial estates. Operations of the company are primarily financed through grants from provincial government, proceeds from sale and allotments of plots, generation and supply of power and other miscellaneous sources. The registered office of the company is situated at Plot No. 120, Industrial Estate, Jamrud Road, Hayatabad, Peshawar.

1.3.2 Comments on audited accounts:

Management failed to provide annual audited accounts for the year 2022-23 till finalization of this report despite repeated requests.

1.3.3 Compliance of PAC directives

Audit Year	Total Paras	Full compliance	Partial Compliance	Pending Paras No	% age of Compliance
2022-23 Thematic	27 11	-	-	2.2.6.1 to 2.2.6.27 3.11.1.1 to 3.11.4.2	0
2021-22	15	-	-	3.3.4.1 to 3.3.4.15	0
2020-21	29	-	-	3.3.4.1 to 3.3.4.29	0
2019-20	12	-	-	2.3.4.1 to 2.3.4.12	0
2018-19	1	-	-	3.3.3.1	0
2017-18	11	-	-	3.1.4.1 to 3.1.4.11	0
SDA	-	-	-	-	-
2016-17	7	-	-	3.1.4.1 to 3.1.4.7	0
2015-16	10	-	-	3.1.4.1 to 3.1.4.10	0
2014-15	7	-	-	3.1.4.1 to 3.1.4.7	0
2013-14	15	-	-	3.1.4.1 to 3.1.4.15	0
2012-13	12	-	-	3.3.2.1 to 3.3.2.12	0
2011-12	11	-	-	3.3.2.1 to 3.3.2.11	0
2010-11	3	-	-	4.3.1 to 4.3.3	0
2009-10	4			14,15, 16, 17	0

The paras could not be discussed in PAC meetings due to non-convening of Provincial PAC meetings on these reports.

1.3.4 Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations through audit recommendations. As a result of audit, management's awareness about internal controls and overall financial discipline improved considerably.

1.3.5 Category-wise Summary of Audit Observations

Audit observations amounting to Rs 1,721.09 million were raised in this report during the current audit of KP-EZDMC. This amount also includes recoverable amount of Rs 14.35 million. Summary of the audit observations classified by its nature is given as under:

Overview of Audit Observations

(Rs in Million)

S. No.	Classification	Amount
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
	a. HR / Employees related irregularities	-
	b. Procurement related irregularities	-
	c. Management of Accounts with Commercial Banks	-
4	Value for money and services delivery issues	68.050
5	Recovery	14.35
6	Others	1,638.678

1.3.6 AUDIT PARAS

1.3.6.1 Loss of interest income due to imprudent investment decision worth - Rs 68.050 million

According to para-7 of KP-EZDMC Investment and Fund Management Policy, "the Chief Finance Officer shall be responsible to ensure the efficient and effective management of the Company's funds to obtain the highest possible return. For this purpose, a need assessment of the expected Company's cash flows shall be carried out on periodic basis and any excess funds shall be invested in secured risk free investment opportunities offered by the Banks having sound financial standing and credit ratings".

During audit of KP-EZDMC Peshawar for the year 2022-23, it was observed that the Company invested funds of Rs. 1.000 billion in Bank of Khyber @ 11.20 % for period of one year in November 2021. The funds were roll over for another period of six months. The record revealed that the Bank of Khyber offered rates of 16.10% and 19.91% for short-term investments of three months during same period.

Position showed weak financial management of the organization.

Audit is of the view that the investment of huge funds of Rs.1.000 billion at lower rate resulted in loss of Rs 68.050 million to the formation.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the reasons of violation of approved investment policy which caused loss to the formation besides fixing responsibility thereof. Made the loss good by effecting recovery from the persons held responsible.

Para- 1 (KP-EZDMC – 2022-23)

1.3.6.2 Loss of revenue due to non-cancellation of industrial plot at Industrial Estate Hattar worth - Rs 68.400 million

According to Rule-16 of the terms and condition of lease deed “the land should be utilized for the approved industry only and shall not be put to another use or purpose, neither for any residential or commercial. Disregard or violation of this clause, the Board of Directors SDA shall be the final authority, the allotment lease liable to cancellation and it may be cancelled without notice”.

During audit of KP-EZDMC, Economic Zone Hattar for the year 2022-23 it was observed that industrial plots No.140, 143-145 measuring 6 acre at Phase-V Economic Zone Hattar were allotted to M/s Solve Tech Industries on 20-08-1990. After short operation, the allottee closed the industry in year 2000 and sub-letted the premises to M/s Eco Pak Industry for storage purposes without approval of the Estate Management. The management issued cancellation notices

in 2009 and 2010 but the plot was not cancelled. Further, the allottee shifted/removed machinery from the site without approval of estate management. A fact-finding committee was constituted to investigate un-authorized transfer of machinery in 2014. However, the report of the committee was not shared with audit. In February 2023 the management transferred the leasehold rights of the plot to M/s ACM Hi-Tech Engineering (Pvt) Ltd. on payment of 5% transfer charges Rs 3.6 million only.

Due to weak operational management, on violation the plot could not be cancelled.

Audit is of view that on violation the plot was required to be cancelled immediacy for re-allotment to other interested party at prevailing rate of Rs 12.00 million per acre. However, after cancellation, the plot was allotted on recovery of transfer charges Rs 3.60 million. Due to non-charging of prevailing rate, the company sustained loss of Rs 68.400 million (Rs. 12.00 million per acre x 6 acre = Rs 72.00 million – Rs 3.600 million).

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the matter, fix responsibility thereof and recover the loss from the persons held responsible.

Para- 4 (KP-EZDMC – 2022-23)

1.3.6.3 Loss due to non-cancellation of commercial plots - Rs 66.000 million and non-recovery of non-utilization charges - Rs 13.200 million

According to Clause – 3 of the terms of allotment, “the lessee shall erect on the site a building or buildings of the description and dimension as may be approved by the authority within a period of 12 calendar months”. Further, as per Clause – 14 of terms of allotment “non-utilization charges @ 20% of the prevailing lease price will be charged in case the allottee fails to complete the unit within the stipulated time i.e. three years. The plot will stand cancelled and no extension will be allowed in any case after expiry of 4 years (including one year extension period)”.

During audit of KP-EZDMC Economic Zone, Hattar for the year 2022-23 it was observed that commercial plots were allotted to four parties for establishment of commercial market/plaza during 1993 on 30 years lease period. The record revealed that proper lease deeds were not signed with allottees, in few cases lease deeds were executed after 10 years. The allottees failed to construct the commercial market/plaza on allotted plots, the lease period was expired in 2023. The allottees have transferred the lease rights of plots to another party. Despite all this, the management did not cancel the allotment rather issued lease renewal notices to the allottees.

Due to weak internal controls of operational management, the land was not properly utilized by the allottees.

Audit is of the view that due to non-cancellation of plots of defaulting allottees, the company sustained loss of Rs 66.000 million and due to non-recovery of non-utilization charges Rs 13.200 million.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the matter, fix responsibility thereof and action needs to be initiated according to the terms & conditions of the allotment.

Para- 5 (KP-EZDMC – 2022-23)

1.3.6.4 Irregular award of civil works on the basis of defective technical evaluation worth - Rs 657.039 million

According to KPPRA Rule 14- (b) single stage, two envelopes bidding shall apply to large and complex contracts where the experience and the past performance in the execution of similar contracts, capabilities with respect to personnel and construction equipment's and financial status and capacity of the bidder is required to the procuring agency. The procuring entity shall evaluate the technical proposal based on criteria specified in the ["bid solicitation"]8

documents without reference to the price and reject any proposal which does not conform to the specified requirements.

After evaluation and approval of the technical proposals the procuring entity, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The bid found to be the lowest evaluated bid shall be accepted;

During the audit of KP-EZDMC, Peshawar for the year 2022-23 it was observed that the management awarded civil work of 'construction of office building for KP-EZMDC' worth Rs 657.039 million to M/s Sarhad Engineering and Electric Company on April 14, 2022. Record revealed that the firm was selected despite the fact that it failed to honor the terms of tender document as during technical evaluation the bidder did not provide annual accounts for the year 2017-18 and income tax return for the last three years. The bidder does not possess the requisite plant and machinery required as per bidding documents and secured only 8 marks out of 20. The bank statements for 2020-21 did not support the financial affairs. Full 5 marks of working capital were awarded in spite of the fact that bidder was financially unable to execute such huge project. The bidder submitted credit line of Rs 805.00 million to justify their financial strength for execution this project.

Position showed weak administrative controls in the organization.

Audit is of the view that in view of above deficiencies, the award of civil work Rs 657.039 million on the basis of defective technical evaluation was held irregular.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the matter and fix responsibility thereof.

Para- 7 (KP-EZDMC – 2022-23)

1.3.6.5 Non-cancellation of commercial and industrial plots due to non-setting up industries - Rs 7.227 million

As per clause -7 of the allotment letter “construction of factory must be completed in accordance with approved plan/specifications within three years from the date of allotment. Failing which, extension charges/non-utilization charges/cancellation will be applied as per bylaws”.

During audit of KP-EZDMC Economic Zone, Peshawar for the year 2022-23 it was observed that ten industrial/commercial plots measuring 8.625 acre land valuing Rs 7.227 million were allotted during the period 1987 to 2006 but the allottees failed to set up/operationalize their business despite lapse of a period ranging from 17 to 36 years.

Due to weak controls of operational management, the plots could not be utilized for specific purposes.

Audit is of the view that as per lease deed, the allottees were bound to construct their industry within 4 years (including one-year grace period). In case of failure the plot is liable to be cancelled, but the management did not initiate any action in this regard.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the causes under which the plots could not be cancelled on failure by the allottees in commencing the industrial activities besides fixing responsibility thereof.

Para-8 (KP-EZDMC – 2022-23)

1.3.6.6 Non transparent award of civil work - Rs 318.422 million and loss due to ignoring the lowest bidder - Rs. 24.518 million

According to KPPRA Rule 14- (b) single stage, two envelopes bidding shall apply to large and complex contracts where the experience and the past performance in the execution of similar contracts, capabilities with respect to personnel and construction equipment's and financial status and capacity of the bidder is required to the procuring agency. The procuring entity shall evaluate the

technical proposal on the basis of criteria specified in the [“bid solicitation”]. After evaluation and approval of the technical proposals the procuring entity, shall publicly open the financial proposals of the technically accepted bids only. The lowest evaluated bid shall be accepted.

During audit of KP-EZDMC Peshawar for the year 2022-23 it was observed that management of KP EZDMC awarded ‘Infrastructure Development Works at Marble City Chitral’ at cost of Rs. 318.422 million to M/s Janson Construction Company, Peshawar on September 10, 2021 with completion period of one year. The project comprised of ADP funds Rs 204.00 million and KP EZDMC funds Rs 114.422 million.

The record revealed that bidding process was initiated before approval of PC-I in September 2021, administrative approval was received in November 2021. Bids were called on single stage one envelop system instead of two envelop system in deviation of KP PPRA Rules. The disqualified bidders were already working with KP EZDMC in other contracts. The lowest bid 17.70% below the engineer estimates was ignored and the accepted the bid at 7th No 10% below the estimates which caused loss of Rs 24.518 million.

The first variation order of Rs 104.042 million i.e. 36% of the contract value was submitted by excluding two major components from approved scope of work in June 2022 after 9 months of award of contract. Further, 14 months’ extension was granted to the contractor against the original completion period of 12 months.

Position showed weak internal controls in operational activities.

Audit is of the view that the above facts showed negligence on the part of management in award of work valuing Rs 318.422 million due to which company sustained loss of Rs 24.518 million.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the matter besides fixing responsibility thereof.

Para- 9 (KP-EZDMC – 2022-23)

1.3.6.7 Irregular award of civil work in violation of KP-PPRA Rules worth - Rs 122.265 million and loss due to ignoring the lowest rate - Rs 7.052 million

According to KPPRA Rule 14- (b) single stage, two envelopes bidding shall apply to large and complex contracts where the experience and the past performance in the execution of similar contracts, capabilities with respect to personnel and construction equipment's and financial status and capacity of the bidder is required to the procuring agency. The procuring entity shall evaluate the technical proposal based on criteria specified in the ["bid solicitation"]⁹ documents without reference to the price and reject any proposal which does not conform to the specified requirements. The bid found to be the lowest evaluated bid shall be accepted.

During audit of KP-EZDMC Peshawar for the year 2022-23 it was observed that the management awarded civil work of 'Rehabilitation of 04 KM Access Road from Michani Rest House to MIE' to M/s Haji Khan Rahim & Sons at Rs 122.265 million in September 2021 with completion period of one year i.e. up to September 2022 on single stage one envelop system in deviation to KP-PPRA Rules. The record revealed that the lowest bidder M/s Shah Contractor with quoted price of 21.65% below the engineer estimate was ignored and the contract was awarded at 16.10% below the engineer estimates.

Position showed weak internal controls in operational activities.

Audit is of the view that award of work at higher rates resulted in loss of Rs 7.052 million (lowest rate 21.65% - contract award rate 16.10% = 5.55% x engineer estimates Rs 129.071 million) to the Company.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the matter, fix responsibility thereof and recover the loss from the persons held responsible.

1.3.6.8 Loss of revenue income due to non-allotment of plot - Rs 12.00 million and non-recovery of outstanding dues of cancelled plot - Rs 1.15 million

As per KP-EZDMC allotment policy “Industrial plot will be leased out initially for a period of 99 years while the commercial plots for a period of 30 years after auction”. Further, as per Clause –C of allotment criteria, “it will essential for all the units to start construction within 06 months and become functional/operational within 24 months from the date of allotment or possession. The extension can be granted in exceptional cases subject to penalty. For the first six months, extension can be granted on justified grounds of delay on payment of a penalty equal to 05% per annum of total value; further 01-year extension can be granted on justified grounds on payment of penalty equal to 10 % per annum. For subsequent extension charges will be at the rate of 25% per annum”.

During audit of KP-EZDMC Peshawar for the year 2022-23 it was observed that a plot No.192B measuring 1.046 acre was allotted to M/s Tatara Pharmaceutical on 24 .07.2003 for setting up pharmaceutical unit. The allottee utilized the space for different commercial activities and failed to operationalize the unit even after lapse of more than 10 years and requested for change in name and nature of business to M/s Tatara Industries for setting up meat process unit on 30.10.2013. The allottee was allowed with the condition that they will deposit the entire outstanding dues including extension charges Rs 1.151 million. The allottee failed to clear the outstanding dues; accordingly, the management cancelled the plot on 11.03.2014. Thereafter, the management failed to re-allot the plot till date and is lying vacant since 2003.

Position showed weak operational controls in the organization.

Audit is view of that the non-allotment of cancelled plot since 2014 deprived the formation from the revenue of Rs 12.00 million (prevailing rate) and non-recovery of outstanding dues from the defaulter allottee put the organization in loss of Rs 1.151 million.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the matter, fix responsibility thereof and recover the loss from the concerned party

Para-12 (KP-EZDMC – 2022-23)

1.3.6.9 Loss due to irregular transfer of plot - Rs 6.533 million

As per Clause -7 of the allotment letter “construction of factory must be completed in accordance with approved plan/specifications within three years from the date of allotment, failing which, extension charges/non-utilization charges/cancellation will be applied as per bylaws”.

During audit of KP-EZDMC Peshawar for the year 2022-23 it was observed that at Industrial Estate Gadoon Amazi a plot No.08 measuring 7 acres was allotted to M/s Super Popular Steel Mills for setting up a unit. The allottee failed to construct the industrial unit within prescribed time rather transferred the plot to the new management. The estate management failed to recover transfer fee @ 8% Rs 2.800 million and extension charges Rs 3.733 million. A departmental enquiry was carried out in October 13, 2022, the inquiry committee held Mr. Faisal Hayat Khan Manager responsible for the gross negligence and loss of Rs 6.533 million to the company and recommended for demotion of the officer and recovery of the loss. However, no recovery was affected from the allottee or from the officer so far.

Due to weak internal controls the recommendation of the inquiry committee could not be implemented.

Audit is of the view that the negligence on the part of estate management, the formation sustained loss of Rs 6.533 million.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to recover the amount either from the person held responsible or party concerned.

Para-13 (KP-EZDMC – 2022-23)

1.3.6.10 Irregular award of development work worth - Rs 304.52 million and loss due to non-imposition of LD Charges - Rs 30.452 million

According to Para - 47.1 of the bidding documents, “if the contractor failed to comply with the time for completion for the whole of the works or, if applicable, any section within the relevant time, then the contractor shall pay liquidated damages @ 0.1% of the contract price subject to maximum of 10% of contract price for such default for every day or part of the day which shall elapse between the relevant time for completion and the date mentioned in the tender”.

During audit of KP-EZDMC Peshawar for the year 2022-2023 it was observed that the management awarded “leftover civil work of Infrastructure Development of Hattar Special Economic Zone, Package-I’ to M/s Zakoori Construction Company at cost of Rs. 304.52 million on 14.09.2021 with completion period of 12 Months. The record revealed that bids were called on single envelop system; no technical evaluation was carried out. Five bids received and all were 10% below the engineer estimates. Contract was awarded despite the fact that contractor failed to deposit bid security @ 2% of the bid price.

Further, the contractor failed to complete the work within the stipulated time period even failed to complete the work after two extensions. A payment of Rs. 170.89 million has so far made to the contractor against the contract cost Rs. 304.52 million.

Position showed weak internal controls in the organization.

Audit is of the view that award and execution of civil work in deviation of KP PPRA Rules and approved terms and condition is held irregular. In case of delay in completion of work the management was required to invoke the LD clause, however, no such action was initiated by the management and the company sustained loss of Rs.30.452 million.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the matter and fix responsibility thereof.

Para- 14 (KP-EZDMC – 2022-23)

1.3.6.11 Loss due to irregular transfer of commercial plot worth - Rs 14.250 million

According to Rule-12 of the terms and condition of allotment “within six months from the date of possession you shall start construction in accordance with the plans/drawings of the proposed building duly approved by the KP-EZDMC and complete in all respect within a period of 2/3/4 years from the date of allotment letter, failure to complete the building within the period the total premium of the plot shall be forfeited in favour of KP-EZDMC”. Rules -27 further provides that “in case of breach of any one or more of the above cited conditions and non-observance of the above mentioned obligation, the allotment will be liable to be withdrawn/cancelled after deduction of 25% of the total premium of the plot”.

During the audit of KP-EZDMC Economic Zone, Hattar for the year 2022-2023 it was observed that a commercial plot No. 13 measuring one kanal was leased out to Mr Adnan Khan Awan allotment letter dated 20-01-2020 at lease price of Rs 7.000 million. The allottee failed to construct building as per approved terms and conditions of allotment. The allottee requested for approval of drawing on 07-07-2022, thereafter, in September 2022 the allottee requested for transfer of leasehold rights.

The record revealed that in technical report, the unit was shown as operational, whereas, the commercial plot allotted in 1993 and was cancelled in 2012 due non-construction of building. The transfer of leasehold rights of a vacant commercial plot made in deviation to approved policy/terms and conditions.

Position showed weak operational controls in the organization.

Audit is of the view that on non-utilization of plot for the purpose for which it was allotted, the management was required to cancel the plot and consider it for re-allotment at prevailing price. Non-cancellation of plot on deviation from policy and its non-allotment to some other interested party resulted in loss of Rs 14.250 million (Rs 15,000,000 prevailing rate – Transfer charges received Rs 750,000) due to non-cancellation of vacant commercial plot.

The irregularity was reported to the management and department on November 29, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 29, 2023 followed by reminder dated January 11, 2024.

Audit recommends to investigate the matter, fix responsibility thereof and recover the loss from the persons held responsible.

Para-15 (KP-EZDMC-2022-23)

1.4 Government Printing & Stationery Department (GP&SD), Peshawar

1.4.1 Introduction:

Government Printing and Stationery Department, Peshawar was established in 1902. The functions of the department are to print the Provincial Budget, Annual Development Programme, Govt. Gazette Notifications and other rules, regulations for Services and General Administration (S&GAD) and Provincial Assembly and to supply all kinds of printing forms and registers of the Governor House, Government/Semi-Government Departments and Autonomous Departments.

1.4.2 Comments on Audited Accounts

Management failed to provide the annual audited accounts for the years 2018-19 to 2022-23 till finalization of this report despite repeated requests.

1.4.3 Compliance of PAC Directives

Audit Year	Total Paras	Full compliance	Partial Compliance	Pending Paras No	% of Compliance
2020-21	6	-	-	3.4.4.1 to 3.4.4.6	0
2016-17	4	-	-	3.4.4.1 to 3.4.4.4	0

The paras could not be discussed in PAC meetings due to non-convening of Provincial PAC meetings on these reports.

1.4.4 Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations through audit recommendations. As a result of audit, management's awareness about internal controls and overall financial discipline improved considerably.

1.4.5 Category-wise Summary of Audit Observations

Audit observations amounting to Rs 1,215.75 million were raised in this report during the current audit of KP - Government Stationery & Printing Department (KP-GS&PD). Summary of the audit observations classified by nature is as under:

Overview of Audit Observations

(Rs in Million)		
S. No.	Classification	Amount
1	Non-Production of record	27.93
2	Reported cases of fraud, embezzlement and misappropriation	37.69
3	Irregularities	
	a. HR / Employees related irregularities	16.09
	b. Procurement related irregularities	6.76
	c. Management of Accounts with Commercial Banks	-
4	Value for money and services delivery issues	16.69
5	Recovery	-
6	Others	1,110.59

1.4.6 AUDIT PARAS

1.4.6.1 Non-transparent appointment of employees - Rs 27.928 million and non-production of record of newly recruited employees

According to Section 14 (2&(3) of the Auditor-General's (Function Powers and Terms and Condition of service) Ordinance 2001, "the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with the request for information in as complete a form as possible and within reasonable expedition. Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person".

During the audit of Government Printing & Stationery Department, Peshawar for the years 2020-21 to 2022-23, it was observed that vacant posts of different categories were advertised in press on December 25, 2020 for appointment. As a result, 34 employees (BPS – 4 to BPS 14) were appointed on regular basis and an amount of Rs 27.928 million was paid to newly appointees on account of pay & allowances up to August 2023.

The Audit Team requested for provision of recruitment file/record to assess the procedure adopted for appointments vide requisition dated 07-08-2023 followed by subsequent reminders but the same was not provided till close of audit. The management informed that requisite files have been misplaced and not available in record.

Position showed weak administrative controls in the organization.

Audit is of the view that the non-provision of record to audit is a serious lapse on the part of management and liable to initiate disciplinary action against the concerned officials. Further, in the absence of record the appointments as well as payment there against Rs 27.928 million is termed as irregular.

The irregularity was reported to the management and department on November 06, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 06, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends that matter needs to be investigated to probe the reasons for non-provision of record besides fixing responsibility thereof. Disciplinary action needs to be taken against person(s) held responsible for non-provision of record and all the relevant record may be provided to audit for verification of transparency in appointment procedure.

Para- 1 (GP & SD – 2020-23)

1.4.6.2 Irregular/un-authorized appointments in-violation of proper procedure and payment of - Rs 16.088 million

According to Rule – 10(2) of KP Civil Servant Appointment, Promotion and Transfer Rules 1989, “initial recruitment to the posts, which does not fall within the purview of commission, shall be made on the recommendations of Departmental Selection Committee after press advertisement of posts”.

During audit of Government Printing & Stationery Department, Peshawar for the years 2020-21 to 2022-23, it was observed that the management made appointments against various vacant posts through Departmental Selection Committee during the period 2021-22. The record revealed that eleven posts of BS – 4 to 16 were advertised in press dated 25-12-2020 against which 31 appointments were made. The appointment of 20 candidates without advertising the requirement as well as payment to said appointees Rs 16.089 million is also held irregular.

Position showed weak administrative controls in the organization.

Audit is of the view that recruitment without press advertisement is clear-cut violation of the Supreme Court of Pakistan orders and also against the prescribed rules of KP Government. The position also indicates that appointments

were made in non-transparent manner and leads towards un-due favour to the ineligible persons at the cost of Govt. Exchequer.

The irregularity was reported to the management and department on November 06, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 06, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends to investigate the reasons of appointment in violation of rules besides fixing responsibility thereof.

Para-2 (GP & SD – 2020-23)

1.4.6.3 Loss to Government exchequer due to non-deduction of tax – Rs 3.432 million

According to Section 153 (1) of Income Tax Ordinance 2001, “every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person- (a) for the sale of goods; (b) for the rendering of services; (c) on the execution of the contract, other than a contract for the sale of goods or the rendering service, shall, at the time of making the payment, deduct tax from the gross amount payable at the rate specified in division III of part III of the first schedule”. Rules – 183 further provides that “the paying authority shall deduct tax at source at applicable rates and deposit into Government treasury within seven days. Failure to do so will attract additional tax @ 24% for the delayed period”.

During audit of Government Printing & Stationery Department, Peshawar for the years 2020-21 to 2022-23, it was observed that that management engaged M/s MKJ Associate Peshawar for supply of different size papers. An amount of Rs 59.538 million was paid to the firm from March 07, 2019 to September 30, 2022; however, withholding tax amounting to Rs 3.432 million (@ 4.5%) could not be recovered from the firm.

Position showed weak financial controls in the organization.

Audit is of the view that the management was required to deduct withholding Tax at prescribed rates while making payment but the same was not deducted which put the treasury in loss of Rs 3.432 million.

The irregularity was reported to the management and department on November 06, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 06, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends to investigate the matter regarding non deduction of income tax at the time of payment besides fixing responsibility thereof and the tax amount may be recovered either from the concerned firm or person(s) held responsible for deposit into govt. treasury.

Para-3 (GP & SD – 2020-23)

1.4.6.4 Un-justified/doubtful payment on account of short supply store - Rs 29.35 million

According to Para-23 of KP General Financial Rules, “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 for which it may be shown that he contributed to the loss by his own action or negligence”.

During audit of Government Printing & Stationery Department, Peshawar for the years 2020-21 to 2022-23, it was observed that the management issued purchase order dated 30-12-2020 to M/s MKJ Associates Peshawar for supply of paper and binding material valuing Rs 62.28 million. The firm supplied the material, which was accordingly entered in store ledger.

On examination of store inward gate passes record it was observed that all the store items were received but the offset papers 27x34 80 gram (imported) quantity 3,450 reams valuing Rs 29.35 million was not received. The said item was entered in store ledger as receipt on 12-07-2021 and payment of Rs 29.35 million was accordingly released to the supplier. Furthermore, the requisite documents i.e. inspection reports, issue voucher, consumption reports and other relevant documents were also not provided to audit which creates doubts about physical existence of store.

Position showed weak internal controls in the organization.

Audit is of the view that the facts revealed that the store valuing Rs 29.135 million remained unsupplied and the subsequent payment was fraudulent.

The irregularity was reported to the management and department on November 06, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 06, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends that the matter needs to be investigated at appropriate level by conducting an inquiry at higher level besides fixing responsibility thereof.

Para-4 (GP & SD – 2020-23)

1.4.6.5 Loss due to shortage of inventory stock - Rs 8.34 million

In accordance with Para 148 of the KP Financial Rules, “all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register”.

Further, in accordance with para-20 of Financial Rules “any loss of public money, store or other property held by or on behalf of government, caused by defalcation or otherwise, which is discovered in a treasury or other office or department should be immediately reported by the officer concern to his immediate official superior”.

During audit of Government Printing & Stationery Department, Peshawar for the years 2019-20 to 2022-23 it was observed that the management arranged a detailed physical verification of store in November 2021. As per verification report, a huge quantity of store worth Rs 8.335 million was found short.

Position showed poor store inventory management system in the organization.

Audit is of the view that shortage of store worth Rs 8.335 million and its non-probing resulted in loss to the formation.

The irregularity was reported to the management and department on November 06, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 06, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends that a detailed inquiry may be conducted at appropriate level with a view to fix responsibility and made the loss good by effecting recovery from the person(s) held responsible.

Para-5 (GP & SD – 2020-23)

1.4.6.6 Irregular procurement of store by splitting - Rs 6.761million

According to Clause – 19 of KPPRA Rules 2014 the procuring 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 18 of these rules. Procurement from Rs 500,000/- to Rs 5 million shall be posted on the procuring entity's website and Authority's website. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring entity.

During audit of Government Printing & Stationery Department, Peshawar for the years 2020-21 to 2022-23, it was observed that the management had procured different store items from seven suppliers worth Rs. 6.654 million during the period 2020-21 and 2021-22 on single source basis. As the store was purchased in disregard to the PPRA Rules on single source basis thus held irregular.

Due to weak procurement controls the proper procedure was not adopted.

Audit is of the view that the items were of common use and the management was required to follow the PPRA rules for procurement of store but the same was not done and deprived the department from the benefit of healthy competitive rates.

The irregularity was reported to the management and department on November 06, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 06, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends to investigate the reasons due to which the store was purchased from selected suppliers in violation of public procurement rules besides fixing responsibility thereof.

Para-7 (GP & SD – 2020-23)

1.4.6.7 Unverified expenditure due to non-preparation of accounts for the last five years - Rs 1,107.155 million

According to Section 30 of KP Finance Act 2022 “government business enterprises shall submit their annual audited financial statements to the Finance Department and published them on their website not later than ninety days following the close of each financial year”.

During audit of the Government Printing & Stationary Department, Peshawar for the years 2020-21 to 2022-23, it was observed that the annual accounts of the department for the years 2016-17 to 2022-23 were not finalized by the management till date despite lapse of more than 05 years. The management incurred expenditure of Rs 1,107.155 million during said period but the expenditure remained un-verified. This state of affairs showed that the financial record was not properly maintained and proper supporting documents were not available with the management. One of the reasons of non-finalization / compilation of annual accounts is non-availability of accountant / accounts staff.

Position showed weak administrative controls in the department.

Audit is of the view that the management was required to finalize its accounts/financial statement timely so that true & fair picture of the state of affairs of the department come to the knowledge of the stakeholders.

The irregularity was reported to the management and department on November 06, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 06, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends to justify the reasons for non-finalization of the annual accounts besides fixing responsibility thereof efforts needs to be made for early finalization of annual accounts.

Para-8 (GP & SD – 2020-23)

1.4.6.8 Loss due to delay in finalization of contracts – Rs 16.689 million

According to Rules – 30 of KPPRA “each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders in accordance with section 22 of the Act”.

During audit of Government Stationery & Printing Department, Peshawar for the years 2020-21 to 2022-23, it was observed that the management issued tender notice in January 2022 for purchase of 14 stationery items. The comparative statement was prepared on 17.01.2022 but the procurement was scraped without any logical reasons and the requirement was retendered in February 2022 after preparation of CST the procurement was again dropped. As a result of 3rd tender inquiry the orders were placed on the successful bidders. A comparison of rates received as a result of 1st and 2nd tendering and rates at which the orders were placed showed a loss of Rs 16.689 million to the formation due to purchase of store at higher rate.

Position showed weak internal controls in procurement matters.

Audit is of the view that as a result of 1st tendering the reasonable rates were received, however, the management did not finalize the case rather scraped it without recording any reasons and orders were placed on the rates received as a result of 3rd tender. The increase in rate is general phenomenon of the market, had the management finalized deal at rates received as a result of 1st tender the loss of Rs 16.689 million could have been avoided.

The irregularity was reported to the management and department on November 06, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated November 06, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends to investigate the reasons due to which the orders could not be placed timely which caused loss to the formation besides fixing responsibility thereof and made the loss good by effecting recovery from the person(s) held responsible.

Para-13 (GP & SD-2020-23)

Chapter-2

SPORTS, CULTURE, TOURISM ARCHAEOLOGY AND MUSEUM DEPARTMENT

Introduction

The Tourism, Culture, Archeology & Museum Department is mandated to administer the operations and development of the following. Promotion and development of culture preservation and conservation of archaeological sites tourism sector enablement and tourism value chains to attract national and international tourists.

Attached Departments

This Department have the following attached Formations/Directorates:

1. Culture & Tourism Authority Khyber Pakhtunkhwa.
2. Directorate of Archeology & Museums, Khyber Pakhtunkhwa
3. Directorate of Tourist Services Khyber Pakhtunkhwa
4. Directorate of Culture Khyber Pakhtunkhwa Peshawar
5. Galiyat Development Authority
- 6 Kaghan Development Authority

Budget and Accounts (Variance Analysis) for the year 2022-23

(Rs in million)

Entity	Particular	Budgeted	Actual	Saving/ (Excess)
TCKP	Expenditure	202.39	202.39	-

Source: Data provided by the Management

Sectorial analysis for the year 2022-23

(Rs in million)

Entity	Particular	Targets	Achievements	Variance Excess/ (Shortfall)
TCKP	Revenue	94.81	83.56	(11.25)

Source: Data provided by the Management

Audit Profile of “TCKP”

(Rs in million)

S. No.	Description	Total Nos.	Audited	Expenditure audited for the year 2022-23	Revenue / Receipts audited for the year 2022-23
1	Formations	1	1	202.39	83.56
2	Assignment Accounts/ SDAs etc.(excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Source: Data provided by the Management

2.1 Tourism Corporation Khyber Pakhtunkhwa

2.1.1 Introduction

Tourism Corporation Khyber Pakhtunkhwa (TCKP) was established by the Government of Khyber Pakhtunkhwa in December, 1991 as a Public Limited Company under the Companies Ordinance 1984. All the shares of the Corporation are held by the Khyber Pakhtunkhwa Department of Culture and Tourism. Currently the company is managing rest houses, recreational parks and various tourist information centers in Khyber Pakhtunkhwa. Its major source of income was lease rent and profit from investments. Main objective of the Tourism Corporation are to:

- Promote and develop industry in Pakistan in general and in Khyber Pakhtunkhwa in particular and to carry on the business connected with tourism in Khyber Pakhtunkhwa;
- Arrange and provide all facilities, incentives, services, assistance, encouragements, concessions, recreations and amusements to tourists;
- Acquire, design, establish, construct and run hotels, restaurants, refreshment rooms, rest houses, camping sites, facilities for ice skating, hunting lodges, clubs amusements parks, aquariums, holiday resorts and places of interest and entertainments of all kinds to tourists;
- Develop land and construct or acquire temporary or permanent buildings, accommodations and other structures including roads, tank channels as well.

2.1.2 Comments on Audited Accounts

The management failed to provide annual audited accounts of the Corporation for the years 2017-18 to 2022-23 till finalization of this report despite repeated requests.

2.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full compliance	Partial Compliance	Pending Paras No	% of Compliance
2020-21	18	-	-	4.2.4.1 to 4.2.4.18	0
2017-18	4	-	-	4.1.4.1 to 4.1.4.4	0
2016-17	13	-	-	4.1.4.1 to 4.1.4.13	0
2015-16	2	-	-	4.1.4.1 to 4.1.4.2	0
2014-15	6	-	-	4.1.4.1 to 4.1.4.6	0

2013-14	6	-	-	4.1.4.1 to 4.1.4.6	0
2012-13	7	-	-	4.1.4.1 to 4.1.4.7	0
2011-12	1	-	-	4.1.4.1	0
2010-11 STC	5	-	-	6.3.1 to 6.3.5	0

The paras could not be discussed in PAC meetings due to non-convening of Provincial PAC meetings on these reports.

2.1.4 Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations through audit recommendations. As a result of audit, management's awareness about internal controls and overall financial discipline improved considerably.

2.1.5 Category-wise Summary of Audit Observations

Audit observations amounting to Rs 1,187.84 million were raised in this report during the current audit of TCKP. Summary of the audit observations classified by its nature is given as under:

Overview of Audit Observations

(Rs in million)		
S. No.	Classification	Amount
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	59.06
3	Irregularities	
	a. HR / Employees related irregularities	-
	b. Procurement related irregularities	-
	c. Management of Accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Recovery	-
6	Others	1,128.78

2.1.6 AUDIT PARAS

2.1.6.1 Non-adhering to government orders for liquidation of corporation and shifting of TCKP assets & liabilities to KP-CTA – Rs 995.08 million

According to Khyber Pakhtunkhwa Tourism Act, 2019 Chapter-III, Section-8 (i) “the Authority shall take over the administrative, financial and regulatory control of all the activities, offices, projects, centers etc. of the Corporation, Directorates and Institute in the prescribed manner”. The Act further

clarifies under Section – 3 “all action required for giving effect to the provision of this Act. including administrative and financial transition shall be completed within one year of the commence of this Act”. The TCKP Board in its 22nd meeting held on 24-06-2020 appointed to the Bank of Khyber as liquidator of the Company, who was responsible to submit its liquidation report to the ACS Committee. As per Section – 387 (5) of the Companies Ordinance 1984 (now Companies Act. 2017) “the winding up proceedings shall be completed by the liquidator within a period of one year”.

During audit of Tourism Corporation, Khyber Pakhtunkhwa (TCKP) Peshawar for the years 2020-21 & 2021-22, it was observed that the KP Government vide notification dated 08-10-2019 passed a Tourism Act. 2019 and KP Tourism & Culture Authority was established. According to said Act the authority shall take over the administrative, financial and regulatory control of all the activities, offices, projects, centers, directorates and institutes etc. of the TCKP in prescribed manner. As the corporation was established as public limited company under the Companies Ordinance, 1984, thus, the TCKP Board in 22nd meeting appointed the BoK as liquidator of the company. According to Companies Act. the liquidation process needs to be completed within one year. The record revealed that the management didn't follow the procedure of liquidation and winding up of Company as required under Companies Ordinance/Act. The Company was merged with the Tourism & Culture Authority without completing the liquidation process. The assets & liabilities of the Corporation were transferred without having any fair value, as the annual accounts of 2016 to 2021 were not compiled. As per provisional/draft accounts an amount of Rs 995.08 million was appearing as bank balance as on 30-6-2020, however, in the absence of final accounts and completion of liquidation process the transfer of assets and liabilities including bank balances is termed as irregular.

Audit is of the view that the TCKP management as well as BOD failed to comply with the aforementioned orders of the Govt. and handing over all assets & liabilities of TCKP to KP-CTA were without evaluating company's assets & liabilities by independent Chartered Account Firm and not following legal liquidation / winding up process as per Govt. rules / orders. This action raised question about transparency/ neatness of all these shifting and held irregular in audit.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated October 24, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends that departmental inquiry may be initiated to investigate the reasons for non-completion of liquidation process till date and handing over Corporation's assets and shifting of its employees to KP-CTA in violation of Govt. orders besides fixing responsibility on person(s) at fault.

Para-4 (TCKP-2020-22)

2.1.6.2 Irregular expenditure after winding up of Corporation - Rs 114.75 million

According to Khyber Pakhtunkhwa Tourism Act, 2019 Chapter-III, Section-8 (i) "the Authority shall take over the administrative, financial and regulatory control of all the activities, offices, projects, centers etc. of the Corporation, Directorates and Institute in the prescribed manner".

During audit of Tourism Corporation, Khyber Pakhtunkhwa (TCKP) Peshawar for the years 2020-21 & 2021-22, it was observed that after notification of KP-Tourism Act. 2019 the TCKP management has transferred all its assets & liabilities to the Tourism & Culture Authority. Thereafter, the management was required to cease all the activities of the Corporation. However, the record revealed that instead of ceasing all its activities from October 2019, the TCKP management continued its operations till June, 2021 without any valid authority and made expenditure of Rs 114.750 million.

Position showed weak internal controls in the organization.

Audit is of the view, that after transfer of all the assets and liabilities to the newly established Authority, the Corporation was required to cease its activities but this was not done and the Corporation continued to expend amount without having any lawful authority, hence, held irregular.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated October 24, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends that department justify the reasons for such expenses after winding up of corporation along with investigation of violation of Govt. orders and expenditures may be regularized by the competent authority, besides fixing responsibility on person(s) at fault.

Para-2 (TCKP-2020-22)

2.1.6.3 Un-authorized retention and utilization of profit earned on ADP funds - Rs 5.25 million

According to KP Finance Department notification No. BO (RES-111) FD/2-2/2013-2014 dated 27.06.2013, No2/3- (F/L)/FD/2007-08/Vol-IX dated 10.02.2014 & No2/3- (F/L)/FD/2007-08/Vol-IX dated 02.06.2015 “the interest/profit accrued/earned on the funds placed in commercial banks may be deposited in Government Treasury under the given relevant head of account”. The Finance Department further stated that “all heads of Government Departments/Autonomous/Semi-Autonomous Bodies/Corporations are requested to ensure compliance of the above instructions of the government and send a copy of challan profit deposited to the Finance Department for record”.

During audit of Tourism Corporation, Khyber Pakhtunkhwa (TCKP) Peshawar for the years 2020-21 & 2021-22, it was observed that the management maintained bank accounts for placing the funds received under ADP grants for certain projects. As per available record an amount of Rs 5.25 million was credited in said accounts on account of profit during 2020-21 & 2021-22. As per government instructions, as referred above, profit earned on these ADP Funds was required to be deposited into government treasury, but the management failed to do so and utilized it without the approval of the Finance Department. The act of the management regarding utilization of profit of Rs 5.25 million is not covered under the policy/rules thus held irregular.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated October 24, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends to investigate the matter at appropriate level, besides fixing responsibility on person(s) at fault.

Para-3 (TCKP-2020-22)

2.1.6.4 Loss due to missing of TCKP vehicles - Rs 59.06 million

According to General Financial Rules (GFR) Chapter-VIII-Rule-159, “physical verification of all stores must be made at least once in every year to ensure the physical existence of the organization assets”. Rule – 23 further provides 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 officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence”.

During audit of Tourism Corporation, Khyber Pakhtunkhwa (TCKP) Peshawar for the years 2020-21 & 2021-22, the management provided handing/taking over list of physical assets shifted to KP- Culture and Tourism Authority (KP-CTA), which includes 17 TCKP vehicles, whereas, five (5) vehicles were not handed over to the authority. Audit demanded record of these vehicles but the management did not provide record/proof of existence/possession of these vehicles. The record pertaining to repair & maintenance of vehicles was also silent about these five vehicles.

Audit is of the view that the above state of affairs clearly shows weak internal control system and non-existence of proper monitoring mechanism, due to which management failed to safeguard its assets, which resulted into loss of Rs 59.06 million (approx).

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated October 24, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends that an inquiry may be initiated to investigate the matters and immediate recovery of these vehicles must be ensured with intimation to audit, besides fixing responsibility on person(s) at fault.

Para-6 (TCKP-2020-22)

2.1.6.5 Non-account for income & expenditure of rest houses and camping pods in accounts

According to Memorandum & Articles of Association of TCKP (former STC) Clause-27(b) “the business of an annual general meeting shall be to receive and consider the profit & loss account and balance sheet, the reports of the Directors and the Auditors”. Section 93 further provides that “the board shall cause to be kept proper books of accounts required under Section 230 of the Company’s Ordinance (now Act)”.

During audit of Tourism Corporation, Khyber Pakhtunkhwa (TCKP) Peshawar for the years 2020-21 & 2021-22, it was observed that the management failed to finalize/compile their annual accounts from Chartered Accountants for the last seven years i.e. 2015-16 to 2021-22. The management provided draft/provisional accounts, the scrutiny of which showed that the income generated through leasing/renting out of 169 Rest Houses and 12 Camping Pods, situated at different location in KP is not portrayed in draft accounts/books of accounts. The management provided only detail of said rest houses and camping pods, while, income generated through leasing out said rest houses and camping pods was not made available to audit. The record is also silent with regard to expenditure made against these earnings.

Audit is of the view that the position showed doubtful activity on the part of management and leads to concealment of facts & figures in annual accounts.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated October 24, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends to investigate the reasons for concealment of income & expenditures of rest houses & camping pods along with non-preparation and certification of annual accounts from the chartered firm, besides fixing responsibility thereof.

Para- 8 (TCKP – 2020-22)

2.1.6.6 Doubtful adjustment of advance without original vouchers - Rs 9.94 million

In accordance with para-4(3) of Public Sector Corporate Governance Rules-2013, “the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the board, in accordance with the ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations”.

During audit of Tourism Corporation, Khyber Pakhtunkhwa (TCKP) Peshawar for the years 2020-21 & 2021-22, it was observed that an advance of Rs 9.940 million was paid to District Police Officer Chitral, for deployment of police force in Shandur Polo Festival 2019. Audit observed that the adjustment was made against simple expenditure statement from concerned District Police Officer Chitral instead of against original bills/vouchers.

Audit is of the view that the adjustment of advance without original vouchers/bills created doubt about the authenticity of the expenditure and was against the canons of financial propriety.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated October 24, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends to investigate the matter of such doubtful advance adjustments, besides fixing responsibility on person at fault.

Para- 18 (TCKP – 2020-22)

2.1.6.7 Irregular payment on account of medical reimbursement - Rs 3.76 million

According to TCKP Services Rules Chapter-V (Medical Facilities) under the heading “Explanation”, “the corporation will arrange for medical cover through authorized medical attendants and chemists. Cash reimbursement pertaining to the medical treatment is not allowed except in extraordinary

circumstances and on the verification of such expenses by the authorized medical attendants”.

During audit of Tourism Corporation, Khyber Pakhtunkhwa (TCKP) Peshawar for the years 2020-21 & 2021-22, it was observed that the management paid an amount of Rs 3.759 million on account of medical reimbursement to its employees during 2020-21. The scrutiny of medical bills showed that the bill pertains to private clinics and were without certification/verification of authorized medical attendant.

Audit is of the view that the management was required to follow the prevailing medical rules prior to payment and get the bills verified from the concerned Medical Officer. The payment of Rs 3.76 million without verification of medical officer is termed as irregular.

The irregularity was reported to the management and department on October 24, 2023 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of this report despite request dated October 24, 2023 followed by reminders dated November 29, 2023 & January 11, 2024.

Audit recommends to investigate the reasons of non-compliance of medical rules and the bills may be got verified from concerned medical officer, besides fixing responsibility thereof.

Para- 20 (TCKP – 2020-22)

CHAPTER-3

Finance Department

Introduction

Finance Department is responsible for supervision and control of provincial finances, preparation of provincial budget, formulation and interpretation of financial rules, civil servants rules related to pay, allowances and pension, management of public funds, management of public debit, banking, coordination of national and provincial finance commissions, administration of local fund audit and treasuries.

Attached Departments

This Department have the following attached Formations/Directorates:

1. General Provident Investment Fund
 2. Pension Fund
 3. Hydel Development Fund
 4. Central Provident Fund
 5. Retirement Benefit & Death Compensation Fund
1. Bank of Khyber
 2. Local Government Fund

Budget and Accounts (Variance Analysis) for the year 2022-23

(Rs in million)

Entity	Particular	Budgeted	Actual	Saving/ (Excess)
HDF	Expenditure	5,426	5,426	-

Source: Data provided by the Management

Sectorial analysis for the year 2022-23

(Rs in million)

Entity	Particular	Targets	Achievements	Variance Excess/ (Shortfall)
HDF	Revenue	7,725.80	7,725.80	-

Source: Data provided by the Management

Audit Profile of “HDF”

(Rs in million)

S. No.	Description	Total Nos.	Audited	Expenditure audited for the year 2022-23	Revenue / Receipts audited for the year 2022-23
1	Formations	1	1	5,426.00	7,725.80
2	Assignment Accounts/ SDAs etc.(excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Source: Data provided by the Management

3.1 Hydel Development Fund (HDF), Peshawar

3.1.1 Introduction

Government of Khyber Pakhtunkhwa (KP) established Hydel Development Fund in 1992 with the initial allocation of Rs150 million. The Fund was given a legal cover through “Khyber Pakhtunkhwa Hydel Development Fund Ordinance 2001”. The objective of this fund was to develop Hydel Electricity in Khyber Pakhtunkhwa. The Provincial Government contributed Rs 14,553 million as equity in the fund upto June 30, 2013. Total size of the fund was Rs 23,302 million as on June 30, 2013. For the smooth management of this fund a board was constituted under the chairmanship of Chief Minister Khyber Pakhtunkhwa, with Minister for Finance, Minister for Irrigation and Power, Chief Secretary Khyber Pakhtunkhwa, Additional Chief Secretary, Secretary Finance, Secretary Energy and Power and others as members of the Board.

3.1.2 Comments on Audited Accounts

The management failed to provide annual audited accounts for the years 1992-93 to 2022-23 till finalization of this report despite repeated requests.

3.1.3 Compliance of PAC directives

Audit Year	Total Paras	Full compliance	Partial Compliance	Pending Paras No	% of Compliance
2018-19	7	-	-	2.1.4.1 to 2.1.4.7	0
2017-18	4	-	-	2.1.4.1 to 2.1.4.4	0
2015-16	12	-	-	2.1.4.1 to 2.1.4.12	0
2014-15	5	-	-	2.1.4.1 to 2.1.4.5	0

The paras could not be discussed in PAC meetings due to non-convening of Provincial PAC meetings on these reports.

3.1.4 Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations through audit recommendations. As a result of audit, management’s awareness about internal controls and overall financial discipline improved considerably.

3.1.5 Category-wise Summary of Audit Observations

Audit observations amounting to Rs 18,787.21 million were raised in this report during the current audit of HDF. Summary of the audit observations classified by its nature is given as under:

Overview of Audit Observations

(Rs in million)		
S. No.	Classification	Amount
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	2.07
3	Irregularities	
	a. HR / Employees related irregularities	7.61
	b. Procurement related irregularities	-
	c. Management of Accounts with Commercial Banks	-
4	Value for money and services delivery issues	22.21
5	Recovery	-
6	Others	18,755.32

3.1.6 AUDIT PARAS

3.1.6.1 Non-implementation of decision of the provincial cabinet committee leading to financial mismanagement - Rs 13,145.85 million

The Provincial Cabinet constituted a Cabinet Committee on Hydel Development Fund and the committee in its meeting held on 30.12.2021 vides Para 4 (a)(b) made following recommendations:-

“in the event, there are any excess funds in the HDF compared to the requirements for the next five years, such excess funds be transferred to Provincial Consolidated Fund. In the event there is a shortfall in requirements for the next five years, the HDF Board may decide that a commensurate of the profits (proportionate to HDF’s equity participation in projects) in the coming years be transferred to the HDF, while any excess funds above those needed to meet the aforesaid requirement be transferred to the PCF.”

During audit of Hydel Development Fund, Peshawar for the years 2018-19 to 2022-23, it was observed that in compliance to above said decision of the Committee no such working was done by the management despite lapse of more than 2 years and huge amount of Rs 7.720 billion and Rs 5.426 billion was transferred to PEDO in 2021-22 & 2022-23 respectively for hydel activities.

Audit is of the view that the management was required to implement the decision of Cabinet Committee prior to release of funds to PEDO. The release of funds from HDF without implementation of Cabinet Committee Decision leads to financial mismanagement of Rs 13.145 billion.

The irregularity was reported to the management and department on January 12, 2024 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of report despite request dated January 12, 2024.

Audit recommends that the matter may be investigated at appropriate level for non-compliance to the decision of the Cabinet Committee besides fixing responsibility thereof.

Para-1 (HDF-2018-23)

3.1.6.2 Non-deposit of profit in provincial consolidated fund amounting to - Rs 5,481.99 million

According to Para – 3(3) of the KP-HDF Ordinance, 2001 “all profits from hydel projects undertaken from the funds shall be deposited in the Provincial Consolidated Fund at the close of each financial year”.

During audit of Hydel Development Fund, Peshawar for the years 2018-19 to 2022-23, it was observed that during the period from 2019-20 to 2021-22 profit amounting to Rs 5,481.99 million was earned by the PEDO from hydel projects but the profit amount could not be deposited into Provincial Consolidated Fund. As the act of the management is clear violation of the KP-HDF Ordinance 2001, thus, constitute irregularity on the part of management.

The irregularity was reported to the management and department on January 12, 2024 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of report despite request dated January 12, 2024.

Audit recommends to investigate the matter to find the reasons due to which the profit earned on invested amount could not be deposited in treasury besides fixing responsibility thereof. The amount of profit may be deposited in treasury without further loss of time.

Para-2 (HDF-2018-23)

3.1.6.3 Loss of interest income due to retention of hydel funds by PEDO Rs- 108.29 million

According to Para 23 of GFR “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 it may be shown that he contributed to the loss by his own action or negligence.”

During audit of Hydel Development Fund, Peshawar, it was observed that the management of HDF released an amount of Rs 10,170 million to PEDO during the year 2021-22 for execution of various projects. The PEDO could utilize an amount of Rs 5,863 million during the year 2021-22 on said projects, while, the balance un-utilized amount of Rs 4,307 million was remained with PEDO up to November 2022.

The HDF management has not framed any mechanism to monitor the released funds. Further, there was lack of proper assessment of the financial requirements for the projects before fund releases. The inefficiency led to the delayed surrender of funds by PEDO which is against the norms of financial propriety standards.

Audit is of the view that had the un-spent balance of Rs 4,307 million remained in investment/placed in bank @ Rs 5.5% per annum interest loss of Rs 108.284 million ($\text{Rs } 1,307 \times 5.5\% \times 116/365 \text{ days} = \text{Rs } 22.85 \text{ million} + \text{Rs } 3,000 \times 5.5\% \times 189/365 \text{ days} = \text{Rs } 85.44 \text{ million}$) could have been avoided.

The irregularity was reported to the management and department on January 12, 2024 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of report despite request dated January 12, 2024.

Audit recommends to investigate the reasons due to which the amount was remained with PEDO for an abnormal period, caused loss besides fixing responsibility thereof. Make the loss good by effecting recovery from the concerned department.

Para-7 (HDF-2018-23)

3.1.6.4 Wasteful expenditure on account of rent and renovation of building - Rs 22.21 million

According to Rule-10 (i) of GFR “every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of Hydel Development Fund, Peshawar for the years 2018-19 to 2022-23 it was observed that HR Committee in its 3rd meeting held on 01.03.2019 decided to hire two floors of KP Bar Council building on rental basis to accommodate the staff to be hired in future at monthly rent of Rs 640,000/- (Inclusive Taxes) with Advance payment of rent of each six months for a period of three years i.e. March 31, 2019 to March 30, 2021 through an agreement dated March 20, 2019. An amount of Rs 17.920 million was paid on account of rental charges from March 2019 to June 2021. Further management also expended an amount of Rs 4.288 million on renovation of Pakhtunkhwa Bar Council Building at Peshawar.

The record revealed that the management did not utilize the said premises for a single day and was remained vacated during entire contract period. The management vide letter dated 19.05.2021 decided to cancel the rental agreement of said building.

Audit is of the view that the building was hired without assessing its requirement and handsome amount was expended on renovation of building. As the building could not be utilized, thus, payment of Rs 17.92 million on account of rental charges and Rs 4.288 million on account of renovation has gone waste.

The irregularity was reported to the management and department on January 12, 2024 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of report despite request dated January 12, 2024.

Audit recommends to investigate the reasons due to which the building was hired without any necessity and handsome amount was paid on account of rental charges and renovation besides fixing responsibility thereof.

Para-8 (HDF-2018-23)

3.1.6.5 Revenue loss due to non-vigilance of management - Rs 19.19 million

According to Para 23 of GFR “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 it may be shown that he contributed to the loss by his own action or negligence.”

During audit of Hydel Development Fund, Peshawar for the years 2019-2023, it was observed that the management maintained a Special Deposit Account (SDA) with Bank of Khyber. One of the silent features of this account stipulates that "profit is calculated on daily actual deposit basis.". Upon reviewing the bank statements of the SDA account, it was observed that each month the profit amount was transferred or credited into the account after a delay of six months, instead of on monthly basis which resulted into loss of revenue as the amount of profit could not be considered for further profit in subsequent period due to delayed posting of monthly profit. The delay in posting of profit and non-considering the profit amount for markup resulted into loss of Rs 19.19 million to the formation.

Audit is of the view that had the profit been credited on monthly basis instead after a gap of six months, the profit amount would have been considered for further compound profit. Thus, due to management’s negligence, the organization was deprived of from potential interest revenue of Rs. 19.189 million.

The irregularity was reported to the management and department on January 12, 2024 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of report despite request dated January 12, 2024.

Audit recommends to investigate the matter and fix responsibility thereof. Take immediate corrective action to ensure that profit earned is credited into account on monthly basis.

Para-9 (HDF-2018-23)

3.1.6.6 Irregular hiring of fund manager/manager operations - Rs 7.61 million

According to HR Policy of the KPFFM vide No. 5/7(KPFFM) FD 2018-19 Human Resource (HR) Policy Vol-I dated 13.06.2019, modes of hiring in order of preference for Grade 7 and below will be as under:

“Internal postings and referrals, online resume database, headhunting through recruitment firms, career fairs, campus visits etc., media advertisements (e.g. in Newspapers) contract may be offered and renewed up to a maximum of 2 years’ period”.

During audit of HDF for the period 2018-19 to 2022-23, it was observed that the management appointed an accountant on contract basis in August 2006 in GPI & PF for one year contract. Thereafter, his contract was renewed after every two years till 2018. The officer was upgraded as manager operation in 2018 vide 98th Board meeting.

Audit is of the view that the appointment was made for one year and thereafter the officer was retained further by upgrading the post as manager operation. As the appointment was made in violation of the prescribed procedure as given in HR Policy, thus, appointment as well as payment their against Rs 7.61 million is held irregular.

The irregularity was reported to the management and department on January 12, 2024 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of report despite request dated January 12, 2024. .

Audit recommends to investigate for non-observance of HR Policy besides fixing responsibility thereof.

Para- 11 (HDF-2018-23)

3.1.6.7 Loss due to fraudulent transactions - Rs 2.07 million

M/s Parker Russell-A.J.S Chartered Accountants vide its letter No. PRAJS/HDF/21-22/757 dated 21.11.2022 pointed out two fraudulent transactions vide section 5.4 of the report.

During audit of Hydrel Development Fund, Peshawar for the years 2018-19 to 2022-23, it was observed that the management made two transactions with National Bank of Pakistan vide authority letters dated 17.02.2014 and

24.03.2014. The record showed that funds of HDF amounting to Rs 602,113 and Rs 1,629,347 were unlawfully transferred to HBL A/c No. 22727000337803 on 17.02.2014 maintained at Bhattai Colony, Karachi. The amount was transferred by the then Assistant Fund Manager of HDF and countersigned by the then Secretary Finance and Secretary Energy & Power Department of KP. Record showed that these authority letters were not issued by KP Government, FIA after its investigation asked the management of HDF to conduct a Departmental Inquiry/Forensic Audit of all investments in PIBs by the HDF and for special audit of total investment of Rs 150 billion by the KP Finance Department in NBP. The issue was also placed in the 15thBoD meeting wherein it was decided that a reputed firm may be hired for conducting forensic audit. The firm M/s Parker Russell conducted forensic audit and pointed out fraudulent transactions of Rs 2.077 million.

Audit is of the view that since November, 2022 the management took no action to proceeds further in the matter even failed to conduct departmental inquiry as advised by the FIA. Position showed that the management is not serious to recover the fraud amount from the person(s) involved and the HDF sustained loss of Rs 2.077 million.

The irregularity was reported to the management and department on January 12, 2024 but no reply was received till finalization of report.

DAC meeting was not convened by the PAO till finalization of report despite request dated January 12, 2024.

Audit recommends that matter needs to be inquired at appropriated level to made the loss good besides fixing responsibility thereof.

Para- 12 (HDF-2018-23)

ANNEXURES

Annex-1

MFDAC PARAS

Director General, Commercial Audit & Evaluation, Islamabad on behalf of the Auditor-General of Pakistan, conducts Audit of Public Sector Enterprises, Government of the Khyber Pakhtunkhwa, which maintain their accounts on commercial pattern.

As a result of Compliance audit conducted during 2022-23, various types of financial irregularities were detected and reported to the administrative departments concerned. 58 Audit Paras involving Rs 24,508.77 million on irregularities/losses and mismanagements pertaining to six organizations have been printed in this report while 11 Paras involving Rs 45.60 millions of lesser importance were left for pursuance through Departmental Accounts Committee as detailed below:

Sr. No.	Subject	Rs in million
Sarhad Minerals Limited (SML) Peshawar		
1	Non performing functions by the management	-
2	Wasteful expenditure due to payment of annual rent or un-utilized leasehold land	5.24
Tourism Corporation of Khyber Pakhtunkhwa, Peshawar		
3	Un-justified expenditure on entertainments	1.70
4	Irregular expenditure on account of 20% additional allowance	1.02
Technical Education & Vocational Training Authority (TEVTA), Peshawar		
5	Wasteful expenditure on preparation of feasibility report of a non feasible project	3.86
6	Irregularities in implementation of donors sponsored projects	10.80
7	Wasteful expenditure due to defective selection of students for scheme "special package for main streaming of minorities in merged areas (batch-ii)	8.41
8	Loss due to non-obtaining of tax exemption certificate	7.57
Government Printing & Stationary Department, Peshawar		
9	Loss due to non-forfeiture of performance guarantee	2.80

10	Non transparent appointment of Junior Stenographer	1.69
Hydel Development Fund, Peshawar		
11	Irregular payment on account of special honorarium to employees of KPFM	2.51

Annex-2

NON-SUBMISSION OF ACCOUNTS

Annual audited accounts of Public Sector Enterprises for the year 2022-23 were required to be provided to the Directorate General, Commercial Audit & Evaluation, Islamabad by December 31, 2022. Despite repeated requests, the organizations failed to submit their annual audited accounts for the year(s) as mentioned against each organization by the prescribed date. Non-submission of accounts needs to be explained and efforts are required by these organizations to finalize and provide the accounts by due date.

FINANCE DEPARTMENT		
1.	Hydel Development Fund (HDF), Peshawar	1992-93 to 2022-23
2.	Bank of Khyber (BoK), Peshawar	2021-22 & 2022-23
INDUSTRIES, COMMERCE, MINERAL DEVELOPMENT, LABOUR AND TECHNICAL EDUCATION DEPARTMENT		
3.	Sarhad Mineral (Pvt.) Limited (SML), Peshawar	2018-19 to 2022-23
4.	Small Industries Development Board (SIDB), Peshawar	2016-17 to 2022-23
5.	Government Printing & Stationery Department (GP&SD), Peshawar	2018-19 to 2022-23
6.	KP – Technical Education and Vocational Training Authority (TEVTA), Peshawar	2015-16 & 2022-23
7.	KP- Economic Zones Development & Management Company (EZDMC), Peshawar	2022-23
8.	KP- Board of Investment and Trade (KP-BOIT), Peshawar	2022-23
SPORTS, CULTURE, TOURISM ARCHAEOLOGY AND MUSEUM DEPARTMENT		
9.	Tourism Corporation, Khyber Pakhtunkhwa (TCKP), Peshawar	2017-18 to 2022-23
LABOUR DEPARTMENT		
10.	Khyber Pakhtunkhwa Employees Social Security Institution (KPESSI), Peshawar	2012-13 to 2022-23
Forestry, Environment & Wildlife Department		
11.	Forest Development Corporation (FDC), Peshawar	2022-23

Annex-3

RECOVERIES MADE AT THE INSTANCE OF AUDIT

During the year 2022-23, audit of the public sector enterprises of the Government of Khyber Pakhtunkhwa (KP) was conducted and results thereof, pinpointing various types of financial irregularities and losses of public money, were communicated to the administrative departments.

In certain cases, the concerned formations while accepting the irregularities, made following recoveries at the instance of audit.

(Rs in million)

S. No.	Name of organization	Brief particulars of recovery	Amount
Industries, Commerce and Technical Education Department			
01	KP-EZDMC	Loss due to transfer of plot without charging extension charges.	12.858
02	-do-	Allotment of plot at old rate resulted in loss	0.500
03	-do-	Defective terms of allotment resulted in loss	33.18
		Total:-	46.538

Annex-A**FORMATION-WISE RECEIPTS AND EXPENDITURE OF AUDIT
CONDUCTED DURING 2022-23****(Rs in million)**

S.No	Name of Entity	Name of PAO	Receipts	Expenditure
1	SML , Peshawar	Industries, Commerce,	42.26	37.42
2	KP-TEVTA, Peshawar	Mineral Development and	3,294.18	4,133.15
3	KP-EZDMC, Peshawar	Technical Education	1,089.64	1,037.24
4	GP &SD, Peshawar	Department	222.27	263.22
5	TCKP, Peshawar	Sports, Culture, Tourism Archaeology and Museum Department	83.56	202.39
6	HDF, Peshawar	Finance Department	7,725.80	5,426.00

Annex-AI**FORMATION-WISE RECEIPTS AND EXPENDITURE OF KHYBER
PAKHTUNKHWA ENTITIES UNDER THE JURISDICTION OF
THE DIRECTORATE COMMERCIAL AUDIT, WAH CANTT****(Rs in million)**

Sr. No	Name of entity	Name of PAO	Receipts	Expenditure
1	FDC, Peshawar	Forestry, Environment & Wildlife Department	831.87	929.88
2	SIDB, Peshawar	Industries, Commerce, Mineral Development and Technical Education Department	480.02	391.32
3	KP-EZDMC, Peshawar		1,089.64	1,037.24
4	KP-BOIT, Peshawar		54.07	56.45
5	SML, Peshawar		42.26	37.42
6	KP-TEVTA, Peshawar		3,294.18	4,133.15
7	GP &SPD, Peshawar		222.27	263.22
8	HDF, Peshawar	Finance Department	7,725.80	5,426
9	BOK, Peshawar		27.15	21.49
10	TCKP, Peshawar	Sports, Culture, Tourism, Archaeology and Museum Department	83.56	202.39
11	KP-ESSI, Peshawar	Labour Department	Not Provided	Not Provided