



**PERFORMANCE AUDIT REPORT  
ON  
EFFECTIVENESS OF WATER SUPPLY  
SCHEMES OF LGE&RDD, TMAs, PHE  
AND WATER & SANITATION SERVICES  
COMPANIES IN  
DISTRICT ABBOTTABAD**

**AUDIT YEAR 2019-20**

**AUDITOR GENERAL OF PAKISTAN**

## **PREFACE**

The Auditor General of Pakistan conducts audit in accordance with Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Performance Audit of "Effectiveness of Water Supply Schemes of the Local Government Elections & Rural Development Department (LGE & RDD), Public Health Engineering Department (PHED) and Water and Sanitation Services Company (WSSC) in Abbottabad" was carried out accordingly.

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa conducted performance audit of the "Effectiveness of Water Supply Schemes of LGE & RDD, PHED and WSSC in Abbottabad" for the year 2019-20 during January-March 2020 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency and effectiveness aspects of these offices. Audit also assessed, on test check basis, whether the management complied with the applicable laws, rules and regulations in managing Water Supply Schemes. The Performance Audit report indicates specific actions that, if taken, will help the management to realize the objectives of the offices of LG & RDD, PHED and WSSCA.

Most of the observations included in this report have been finalized in the light of written responses and discussions with the management. DAC meeting could not be arranged despite repeated reminder.

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

Islamabad  
Dated:

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

# TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS.....	i
EXECUTIVE SUMMARY .....	ii
1. INTRODUCTION.....	1
2. AUDIT OBJECTIVES .....	2
3. AUDIT SCOPE AND METHODOLOGY.....	3
4. AUDIT FINDINGS AND RECOMMENDATIONS .....	5
4.1 Organization and Management.....	5
4.2 Financial Management .....	12
4.5 Compliance with Grant/ Loan Covenants.....	23
4.6 Environment .....	23
4.7 Sustainability .....	23
4.8 Overall Assessment .....	23
ACKNOWLEDGEMENT.....	27
ANNEXURES.....	28

## ABBREVIATIONS AND ACRONYMS

AD	Assistant Director
ADB	Asian Development Bank
ADP	Annual Development Programme
AD LGE & RDD	Assistant Director Local Government Elections & Rural Development Department
AGP	Auditor General of Pakistan
BOD	Board of Directors
DG	Director General
FIA	Federal Investigation Agency
GFWSS	Gravity Flow Water Supply Scheme
GFR	General Financial Rules
GPH	Gallons per hour
GPD	Gallons per day
INTOSAI	International Organization of Supreme Audit Institutions
JICA	Japan International Cooperation Agency
KPCIP	Khyber Pakhtunkhwa Cities Improvement Project
KP	Khyber Pakhtunkhwa
MOU	Memorandum of Understanding
NC	Neighborhood Council
NOC	No Objection Certificate
PC-I	Planning Commission Proforma-I
PESCO	Peshawar Electric Supply Company
PHED	Public Health Engineering Department
SAMA	Service and Assets Management Agreement
TMA	Tehsil Municipal Administration
UC	Union Council
VC	Village Council
WSSCA	Water and Sanitation Services Company Abbottabad
WSS	Water Supply Schemes
XEN	Executive Engineer

## **EXECUTIVE SUMMARY**

The Director General Audit, District Governments, Khyber Pakhtunkhwa conducted performance audit of the “Effectiveness of Water Supply Schemes of Local Government Department, Public Health Engineering Department and Water and Sanitation Services Company in Abbottabad” during January to March, 2020. The audit was conducted in accordance with the INTOSAI Auditing Standards as adopted by the Department of the Auditor General of Pakistan.

According to para 6(i) & 7.6 (ii) of Khyber Pakhtunkhwa Drinking Water Policy 2015, access to drinking water is a basic human right and it is the responsibility of Government to ensure its provision to all citizens. The following departments are responsible for provision of such basic rights to the public of District Abbottabad.

Assistant Director LG&RDD Abbottabad is working under the administrative control of Secretary, LGE&RDD. According to rule 3(2) defined in second schedule at S.No 13(vii) of the Khyber Pakhtunkhwa District Government Rules of Business 2015, operational components and business of AD LGE&RDD includes rural development works including water supply, rural access roads, embankment and drainage works.

Public Health Engineering Department is working under the administrative control of Secretary PHED and is responsible to provide clean drinking water, hygiene facilities and a healthy environment to the public.

Water and Sanitation Services Company, Abbottabad (WSSCA) has been established as a corporate sector company owned by the Government of Khyber Pakhtunkhwa. WSSC Abbottabad is governed by Board of Directors (BoD) and is currently providing drinking water to the community in Four (4) Urban Union Councils. WSSC Abbottabad physically took over the water and sanitation sectors

from TMA Abbottabad. The funds of water supply schemes along with staff were transferred by TMA Abbottabad as per agreement. Sources of providing drinking water are tube wells and gravity schemes.

### **Key Audit Findings:**

1. Loss to the public exchequer due to mismanagement and improper planning-Rs 73.157 million (Para-4.1.1).
2. Failure of the management to provide drinking water to 2.306 million people. (Para-4.1.2).
3. Non-preparation of master plan and coordinated sectoral planning and reforms. (Para-4.1.3)
4. Failure to enhance capacity building of Water Supply Staff (Para-4.1.4)
5. Failure to provide safe and potable water to community (Para-4.1.5).
6. Non-establishment of water quality testing laboratories and conducting water quality lab tests. (Para-4.1.6)
7. Non-completion of water supply schemes - Rs.41.150 million (Para-4.2.1 & 4.2.7)
8. Excess payment of electricity charges to PESCO- Rs 970,295 (Para-4.2.2)
9. Non-payment of liabilities of water charges-Rs 51.623 million (Para-4.2.3)
10. Non-recovery of water charges – Rs. 90.472 million (Para-4.2.4)
11. Non-functional water supply schemes (Para-4.2.5).
12. Irregular expenditure on account of electricity charges of water supply scheme converted to solarization – Rs 3.359 million (Para-4.2.6).
13. Irregular execution of schemes under jurisdiction of WSSCA- Rs.1.475 million (Para-4.2.8).
14. Loss due to missing of standby machinery water supply schemes (Para- 4.3.1)

## **RECOMMENDATIONS:**

Audit recommends that:

- 1 Losses to public exchequer should be investigated to fix responsibility besides recovery from the person(s) at fault.
- 2 Water supply schemes should be properly planned, monitored, implemented and strictly supervised to provide clean drinking water to community.
- 3 Coordination between all the relevant stakeholders and steps for preparation of master plan for new and old schemes should be ensured.
- 4 Training programs should be started for capacity building of staff in order to enhance their skills and capabilities.
- 5 Water Testing Laboratories should be established and water tests should be carried out at appropriate time/intervals.
- 6 Government dues should be recovered immediately and deposited into treasury.
- 7 The unauthorized payment should be regularized.
- 8 All the incomplete schemes and works should be completed without further delay.
- 9 Non-functional tube wells should be operationalized.
- 10 Government assets should be safeguarded.

# 1. INTRODUCTION

## 1.1 Background

The Director General Audit, District Governments, Khyber Pakhtunkhwa conducted performance audit of the “Effectiveness of Water Supply Schemes of Local Government Department, Public Health Engineering Department and Water and Sanitation Services Company in Abbottabad” during January to March, 2020. The audit was conducted in accordance with the INTOSAI Auditing Standards as adopted by the Department of the Auditor General of Pakistan.

Access to drinking water is a basic human right and it is the responsibility of the Government to ensure its provision to all citizens. Water is a finite and essential resource, the use of which needs to be regulated to avoid wastage and misuse. Water allocation for drinking and other domestic uses like cooking, hygiene, basic sanitation and other domestic uses shall have priority over other uses. Protection of the environment, safeguarding of health and livelihood through integrated management of water resources shall be ensured. The following departments are responsible for provision of such basic rights to the public of District Abbottabad.

**1. Assistant Director LGE&RDD Abbottabad:** ADLG&RDD is working under the Administrative control of Secretary, LGE&RDD. According to rule 3(2) defined in second schedule at S.No 13(vii) of the Khyber Pakhtunkhwa District Government Rules of Business 2015, operational components and business of AD LGE&RDD includes rural development works including water supply, rural access roads, embankment and drainage works. According to rule 29(e) of Local Government Act 2013, the functions of village council and Neighbourhood council under administrative control of LGE&RDD is to improve water supply sources, maintain water supply distribution system and take measures to prevent contamination of water.



**2. Public Health Engineering Department:** PHED came into being to provide clean drinking water, hygiene facilities and a healthy environment to the public. It was originally established as a secondary branch in 1974 which was merged with Communication and Works Department in 2001. However, after the realization of its enormous role in the public sphere it was given the status of an independent department in 2009. Presently, PHED divided the province into northern and southern units for administrative purposes. The assigned teams work under two chief engineers who work under the supervision of Administrative Secretary Public Health Engineering Department Government of Khyber Pakhtunkhwa.

**3. Water and Sanitation Services Company, Abbottabad:** WSSCA has been established as a corporate sector company owned by the Government of Khyber Pakhtunkhwa. WSSC Abbottabad is governed by Board of Directors (BoD). They formulate the policies for adoption by the company. WSSC Abbottabad is currently providing drinking water to the community in Four (4) Urban Union Councils. WSSC Abbottabad physically took over the water and sanitation sectors from TMA Abbottabad. The funds of water supply schemes along with staff were transferred by TMA Abbottabad as per agreement. Source of providing drinking water are tube wells and gravity schemes.

## **2. AUDIT OBJECTIVES**

The major objectives of the audit were to ascertain:

- i. whether water supply was managed with due regard to economy, efficiency and effectiveness.
- ii. the objectives were achieved within the estimated time and budget.
- iii. the contracts were awarded economically and transparently.
- iv. compliance of the Khyber Pakhtunkhwa Local Government Act 2013, applicable rules, regulations and accounting procedures and carried out.
- v. the internal controls were operative and functioned effectively.
- vi. the status of water supply schemes being functional or non-functional.

### **3. AUDIT SCOPE AND METHODOLOGY**

#### **Audit Scope**

The Audit focused on the role of the offices of Assistant Director Local Government Election & Rural Development Department, Public Health Engineering Department and Water & Sanitation Services Company in provision of Water Supply Schemes in District Abbottabad.

#### **Audit Methodology**

The audit was conducted in accordance with International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards as adopted by the Department of the Auditor General of Pakistan.

#### **Site Visits**

The offices of the Executive Engineer PHED, Chief Executive Officer WSSC Abbottabad and ADLGE&RDD Abbottabad were visited by the audit team.

#### **Interviews**

A number of officers of WSSCA, ADLGE&RDD and PHED were contacted and interviewed with a view to obtain information as to how they fulfilled their obligations towards water supply services to the local community.

The officers interviewed included:

- Chief Executive Officer Water & Sanitation Services Company, Abbottabad
- Executive Engineer, Public Health Engineering Department Abbottabad
- Assistant Director Local Government Election & Rural Development Department, Abbottabad

## **Documents Review**

Documents were reviewed to gain an understanding on the Effectiveness of Water Supply Schemes and the role played by offices of the ADLGE&RDD, PHED and WSSCA in this regard. Some of the documents reviewed were;

- Laws, rules and regulations relevant to the subject of audit
- Khyber Pakhtunkhwa drinking water policy 2015
- MOU of WSSC Abbottabad
- PC-I
- Water quality monitoring laboratories reports
- Websites of WSSCA and PHED
- Funds Utilization -Budget and releases for the water supply schemes.
- Progress reports/ Annual Performance Report

## 4. AUDIT FINDINGS AND RECOMMENDATIONS

### 4.1 Organization and Management

#### 4.1.1 Loss to the public exchequer due to mismanagement and improper planning-Rs 73.157 million

According to clause- 1 of the contract agreement approved by the Chief Engineer North of Public Health Engineering Department Khyber Pakhtunkhwa Peshawar vide letter No09/G-4/PHE(N) dated 03/12/2012; the Executive Engineer/Sub Divisional Officer incharge are responsible for the execution of work according to standard specification of PHE and approved PC-I.

During performance audit of Effectiveness of Water Supply Schemes of WSSCA, PHED and ADLG&RDD an expenditure of Rs 73.157 million was incurred on installation of defective water meters.

Instead of water rate as per actual consumption based on meter reading, it was being deducted at Rs 120 for domestic consumers and Rs 450 for commercial.

Rs in million			
S.No	Name of contractor	Name of work	Expenditure
1	M/S Samiullah khan	Furnish and Installation of meters at Malikpura	32.217
2	S.Iqbal Hussain Shah	Furnish and Installation of meters at Deraband Jhangi	9.700
3	M/S Saifullah	Furnish and Installation of meters at Mirpur/Salhad	10.260
4	M/S Samiullah khan	Furnish and Installation of meters at Sheikhlubandi	10.880
5	Muhammad Tahir khan	Furnish and Installation of meters at Central urban Nawasher	10.100
<b>Total</b>			<b>73.157</b>

The lapse occurred due to weak administrative control which resulted in loss to Government.

When pointed out in March 2020, management stated that defects in some meters were reported due to which an inquiry was conducted and the following recoveries were made in 5/2015.

S.No	Name of contractor	Name of work	Amount recovered(Rs.)
1.	Samiullah Khan	Installation of meters at Kehal, Malikpura	3,481,638
2	Syed IqbalHussain Shah	Water Meter Dera Wand, Jhangi	1,033,250
3	Sahibullah Khan	Water Meter Mirpur, Salhad	670,250
4	Samiullah Khan	Water MeterSheikhulbandi	1,182,260
5	Muhammad Tahir Khan	Water Meter Central Urban Nawansher	5,300,000
<b>Total</b>			<b>11,667,398</b>

Reply of the management was not tenable as evidence in support of recovery was not provided.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends recovery of Rs.73.157 million, besides levying of water charges as per actual consumption.

#### **4.1.2 Failure of the management to provide drinking water to 2.306 million people.**

According to para 6(i) of Khyber Pakhtunkhwa Drinking Water Policy 2015 access to drinking water is a basic human right and it is the responsibility of Government to ensure its provision to all citizens. And according to Para 7.6 (ii) of aforesaid policy that a well-articulated scheme selection methodology will be developed by public service provider to ensure that investments in drinking water and sanitation sector are based on felt needs & demand of the community instead of political influence.

During performance audit of Effectiveness of Water Supply Schemes of WSSCA, PHED and ADLG&RDD it was observed that WSSCA, PHED and ADLGE&RDD Abbottabad collectively, was providing water to only 341,670 people leaving 23,06,006 people un-served. Detail is given at Annexure-1.

The deficiency of water supply occurred due to weak internal control resulting in a considerable amount of people deprived of a basic need.

When pointed out in March 2020, the management stated that they were fully aware of the difficulties faced by people due to the non-availability of clean drinking water and is committed to achieve 100 percent target for provision of drinking water to the entire population of the district Abbottabad. Proposals had been submitted to provincial government for upgradation of Water Distribution System

Reply was not tenable as master plan was not prepared and the management had admitted the irregularity.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends that steps may be taken to overcome the shortage of water supply.

#### **4.1.3 Non-preparation of master plan and coordinated sectoral planning and reforms.**

According to Para 7.4(i) of Government of Khyber Pakhtunkhwa Drinking water Policy 2015, list of villages which do not have access to improved water supply system or needs rehabilitation shall be prepared in each district based on felt need and demand of the communities. This shall be done in consultation with district

government and elected representatives. The list shall be prioritized keeping in view the technical, sectoral and financial feasibilities. A master plan shall be prepared for each district out of the prioritized list for new schemes as well as for rehabilitation of existing schemes.

During performance audit of effectiveness of water supply schemes of WSSCA, PHED and LGE&RDD Abbottabad, it was observed that neither master plan of the district for water supply and sanitation was prepared nor was any mapping of the existing lines was carried out for future rehabilitation.

The lapse occurred due to weak administrative controls which resulted in violation of rule and deprived the community from clean drinking water.

When pointed out in March 2020, management stated that so far sufficient work had been done on mapping the lines and had integrated some tube wells with other schemes and made efficient use of resources. WSSCA had emphasized need of Master Plan for city of Abbottabad with Local Government. A capital investment project, Khyber Pakhtunkhwa Cities Improvement Project (KPCIP) sponsored by Asian Development Bank (ADB) for five cities, including Abbottabad city, of the Khyber Pakhtunkhwa (KP) has been initiated through which most of the water and sanitation issues of the cities will be resolved.

Reply was not tenable as no practical steps were taken by the department nor any documentary evidence was provided in this regard.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends mapping of the existing lines and preparation of master plan.

#### **4.1.4 Failure to enhance capacity building of Water Supply Staff.**

According to para 7.11 (i) of Khyber Pakhtunkhwa Drinking Water Policy 2015, technical, institutional and financial capacity of water service providers will be strengthened. Comprehensive trainings need assessment exercises will be conducted for all relevant government departments which shall inform the design of training programs to be developed and rolled out in collaboration with development partners, academia and municipal training institutions.

During performance audit of effectiveness of water supply schemes of LGE&RDD Abbottabad, it was observed that no training programs were conducted for capacity building of staff in order to enhance their skills and capabilities.

The lapse occurred due to weak administrative controls resulting the staff was deprived to enhance their skills and capabilities and provide better services to the community.

When pointed out in March 2020, management stated that there were no funds available for training of members of the tiers; this office will communicate the subject para to high ups for allocation of funds.

Reply of the management was not tenable as no practical steps were taken by the department for capacity building of the staff.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends capacity building through relevant trainings for the staff.



#### **4.1.5 Failure to provide safe and potable water to community.**

According to Khyber Pakhtunkhwa Drinking Water Policy 2015, Para 8.3 (i) mass information, education and communication campaigns shall be developed and implemented to promote water conservation and safe hygiene practices.

During performance audit of effectiveness of water supply schemes of PHED Abbottabad, it was noticed that there was no proper mechanism for chlorination of water tanks, resultantly the community was deprived of safe and potable water.

The supply of contaminated drinking water occurred due to weak administrative control resulting in a situation endangering the lives of people.

When pointed out in March 2020, management stated that efforts have been made by this office to provide clean drinking water to the community. In this connection chlorination is a continuous process after water testing and after a spell of 3-4 days rain. Reply of the management was not tenable as no record of chlorination was available nor produced to audit.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends measures for ensuring provision of clean and hygienic drinking water.

#### **4.1.6 Non-establishment of water quality testing laboratories and conducting water quality lab tests.**

According to Para 7.10 (ii) of Khyber Pakhtunkhwa Drinking Water Policy 2015, each organization/department will establish water quality testing laboratories

and arrange required resources (staff & equipment) to ensure regular water quality Monitoring and provision of safe water to the communities.

During the course of performance audit of LGE & RDD, Abbottabad, it was observed that water quality testing laboratories were not established by the department in order to check the quality of water being provided to the community.

The lapse occurred due to weak administrative control resulting the supply of clean drinking water was not possible to community.

When pointed out in March 2020, management stated that as per recommendations of audit, in future each and every water supply scheme will be tested through available government water testing laboratories. Reply was not convincing as no concrete steps has been taken by the department for establishment of water quality testing laboratories and conducting of water quality lab tests.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends establishment of laboratories for testing water being supplied to general populace.

## **4.2 Financial Management**

### **4.2.1 Non-completion of water supply schemes - Rs.9.943 million**

According to the contract agreement, the project “Installation of 02 No Tube wells along with pump sets of specified capacity including all allied civil, electrical and mechanical works at Main De Seri U/C Mirpur and Banda Dalazak UC Sheikhnadni, Abbottabad was required to be completed upto June 2019.

During performance audit of effectiveness of water supply schemes of WSSC Abbottabad it was observed that contract of 02 Tube wells along with pump sets of specified capacity including all allied civil, electrical and mechanical works at Main De Seri U/C Mirpur and Banda Dalazak UC Sheikhnadni, Abbottabad was awarded to M/s Qadeem shah & Sons at a cost of Rs 9,943,075 with a completion date of 30th June 2019.

Audit observed that the only civil work amounting to Rs 2,269,854 was executed on one tube well at Mian De Seri.

The lapse occurred due to weak internal controls which resulted in violation of rules and deprived the community from drinking water.

When pointed out in March 2020, management stated that during the execution of the project WSSCA handed over back the above mentioned both areas (UC Mirpur and UC Shaikhul Bandi) to PHED in April 2019. As the “Mian di Sairi” tube well was in progress, it was therefore decided to complete this tube well and hand it over to PHED once completed and the 2<sup>nd</sup> tube well was dropped from WSSCA list where no mobilization was done yet. The work on Mian De Sairi tube well was ongoing and therefore NOC from PHED was obtained and forwarded to PESCO Abbottabad. PESCO demand note has been paid and the line is expected to be completed at the end of April.

Reply is evasive as the contract agreement requires completion of both the Tube Wells.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends early completion of the project.

#### **4.2.2 Excess payment of electricity charges to PESCO- Rs 0.970 million**

According to para 11 of GFR Vol-I that every controlling officer must satisfy himself not only that adequate provision exist within the departmental organization or systematic checks to prevent and detect errors and irregularities in financial proceedings and to guard against waste and loss of public money.

During performance audit of WSSC Abbottabad it was observed that excess payment of Rs. 970,295 was made to PESCO for the following schemes during 2018-19.

<b>S.No</b>	<b>Name of scheme</b>	<b>Account No</b>	<b>Billing Month</b>	<b>Excess units charged</b>	<b>Amount</b>
1	WSS Band kho	24-26421-0640900	December 2018	7,662	207,603
2	Jail Tank Malik Pura	30-26421-0842701	May 2019	28,247	762,692
<b>Total</b>					<b>970,295</b>

The lapse occurred due to weak financial controls and resulted in over payment to PESCO.

When pointed out in March 2020, management stated that both the above cases have been reported to PESCO for credit of overcharge amount and recovery

has also been taken up in court of “Regional Electric Inspectorate Abbottabad”. Reply is not convincing as joint meter reading and reconciliation was not carried out.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends immediate recovery of the amount overpaid.

#### **4.2.3 Non-payment of liabilities of water charges-Rs 51.623 million**

According to Clauses No. 5-3 and 7 & of MOU signed between General Manager of GFWSS and PHED, TMA Abbottabad and Co unit Nowshera, bulk water tariff is Rs 7.00 per m<sup>3</sup> for TMA Abbottabad (Now WSSCA) and Article 7 requires that Gravity Flow Water Supply Scheme will collect the bulk water supply Tariff from PHED, TMA Abbottabad (Now WSSCA) by monthly or quarterly in accordance with the bulk water supply shall be paid to PHE.

During Performance Audit of WSSC Abbottabad it was observed that the company failed to pay Rs 51,629,302 as per details below on account of water tariff to PHE Bulk Division Abbottabad against utilization of bulk water.

<b>S.No</b>	<b>Year</b>	<b>Arrears</b>
1	2017	24,936,375
2	2018	14,088,359
3	2019	12,604,568
<b>Total</b>		<b>51,629,302</b>

Non-payment of government dues occurred due to weak administrative controls which resulted in loss to government.

When pointed out in March 2020, management stated that the matter has taken up with Commissioner Hazara Division and several meetings were held to

decide the future actions and until any decision from competent authorities no final action can be taken.

Request for convening the DAC meeting was made in September, 2020. However DAC meeting was not convened till finalization of this report.

Audit recommends early payment of liabilities.

#### **4.2.4 Non-recovery of water charges – Rs. 90.472 million**

According to section 4(1 and 3) of the Khyber Pakhtunkhwa Rural Area drinking water supply scheme Act 1985, Government shall perform all functions and exercise all powers as may be necessary to collect rates, fees and charges for water supply in such manner as may be prescribed. Any rate, fee or charge imposed for water supply under this Act but not paid by the due date specified in that behalf shall be recoverable from the person or persons against whom it was outstanding as arrears of land revenue.

During Performance audit of Effectiveness of Water Supply Schemes of WSSCA, PHED and LGE&RDD Abbottabad, it was observed that no serious efforts were made by the local offices to recover water charges of Rs 90,472,483.

Audit observed that non-recovery of dues occurred due to administrative laxity on the part of administration which resulted in inefficient utilization of government resources.

When pointed out in March 2020, management stated that efforts were being made to recover the outstanding water charges from the consumers. Detail at Annexure-2.

Reply of the management was not tenable as huge amount of arrears against water charges are still outstanding and water charges was not collected from the users as required under the rules.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends recovery of the arrears.

#### **4.2.5 Non-functional water supply schemes**

According to Para 6 (i) of the Khyber Pakhtunkhwa drinking Water Policy 2015, access to drinking water is basic human right and it is the responsibility of the Government to ensure its provision to all citizens.

During performance audit of effectiveness of water supply schemes of WSSCA and PHED Abbottabad, it was observed that 18 and 05 Nos. water supply schemes, respectively, were non-functional. Detail is given at annexure-3.

Non-functionalized tube wells were owing to weak administrative controls depriving the general public of clean drinking water.

When pointed out in March 2020, management of WSSCA stated that the schemes were non-functional since 2013. Up till now 9 more tube wells are made functional by WSSCA while 6 others are proposed in PC1 submitted for 2019-2020. Additionally, the abandoned tube wells are proposed to be replaced by new one and 3 new tube wells proposed in PC1 are in final stage of PDWP meeting. WSSCA is trying to rehabilitate all necessary Tube wells. Management of PHE department stated that all the schemes mentioned in the para are functional and clean drinking water to the community is supplied by the department. Reply of the department

was not tenable as the schemes are still non-functional and the department could not produce evidences regarding provision of water supply to the community.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends that the matter should be investigated and provision of clean water supply to the community should be ensured.

#### **4.2.6 Irregular expenditure on account of electricity charges of water supply scheme converted to solarization – Rs 3.359 million**

According to para 10 of AA issued by Government of Khyber Pakhtunkhwa Public Health Engineering Department No. S.O(T)/PHED/3-21/2014-15 dated 10/06/2015, after Solarization of Tube wells, the existing infrastructure of electricity shall be properly rolled back and a mechanism for its utilization on other new schemes may be ensured and duly documented.

During performance audit of effectiveness of water supply schemes of PHED Abbottabad it was observed that an amount of Rs 3,358,955 was expended as electricity charges despite the fact that five schemes were converted to solarization at an estimated cost of Rs 17.411 million during 2016-17. Details below:

S.No	Name of scheme	Expenditure on Solarization	Electricity charges 7/2017 to 6/2019
1	WSS More Kalan	3,484,747	1,040,091
2	WSS CHamba	3,933,721	1,321,408
3	WSS Chamnaka No.01	3,004,689	393,173
4	WSS Chamnaka No.02	3,065,797	456,947
5	WSS Rich Behn	3,922,631	147,336
Total		17,411,585	3,358,955



Irregular expenditure on account of solarization and electricity charges occurred due to weak administrative controls and resulted in violation of rules.

When pointed out in March 2020, management stated that District Abbottabad receives significant rain fall. The annual average temperature of Abbottabad is 18 degree centigrade and average rain fall is 1262 mm. In such situations, solarization system goes dead and drinking water supply remains suspended. So the electricity is the 2<sup>nd</sup> option with the department to keep continue the supply of water to the community without any interruption. Hence the disconnection of electricity from the solarized project in the case of District Abbottabad is not possible.

The reply is not satisfactory. Administrative approval should be revised and relaxed accordingly.

Request for convening the DAC meeting was made in September, 2020. However DAC meeting was not convened till finalization of this report.

Audit recommends regularization of the irregular expenditures.

#### **4.2.7 Non-completion of water supply schemes - Rs.31.207 million**

According to Para 7.1.2 of Khyber Pakhtunkhwa Drinking Water Policy 2015, the District Government shall be responsible for schemes identification, prioritization, planning, implementation and operation and maintenance of local water supply schemes implemented by PHED out of district government funds. Small and technologically simple community-based schemes constructed by LGE&RDD out of district government funds shall be handed over to concerned beneficiaries for operation and maintenance.

During performance audit of AD LGE & RDD Abbottabad it was observed that an amount of Rs.11,988,000 and Rs. 27,839,000 was released under the District ADP for the fiscal year 2015-16 and 2016-17, however 154 Water Supply Schemes (WSS) were still not carried out after a lapse of more than three years.

Year	No of WSS schemes planned	Schemes completed	Incomplete schemes	Amount released	Expenditure	Balance
2015-16	84	35	49	11,988,000	2,209,633	9,778,367
2016-17	126	21	105	27,839,000	6,409,799	21,429,201
<b>Total</b>	<b>210</b>	<b>56</b>	<b>154</b>	<b>39,827,000</b>	<b>8,619,432</b>	<b>31,207,568</b>

Non-completion of schemes occurred due to weak internal controls and resulted in depriving the community of clean drinking water.

When pointed out in March 2020, management stated that due to court case the district government was not functioning. Therefore, the schemes were advertized very late due to which the schemes could not be completed in time. Reply was not convincing as schemes are still incomplete.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends that concrete steps should be taken for early completion of schemes to provide clean drinking water to community.

#### **4.2.8 Irregular execution of schemes under jurisdiction of WSSCA- Rs.1.475 million**

According to Khyber Pakhtunkhwa Local Government Election & Rural Development Department letter No. CPO(LG)2-169/DWSSC 2016-17 dated 12/07/2017, after the establishment of WSSC's water supply and sanitation/drainage

system in respective head quarters which fall under the jurisdiction of WSSC's is the sole responsibility of WSSC's and no other department or entity shall advertise plans schemes there.

Assistant Director LGE&RDD Abbottabad during 2017-19, executed nine developmental schemes costing Rs. 1,475,000, falling under the jurisdiction of WSSCA and without obtaining NOC (Detail at Annex-4).

The irregularity occurred due to weak administrative controls resulting in overlapping of functions of two different bodies.

When pointed out in March 2020, management stated that elected representatives proposed their schemes on need basis. In future awareness will be created for the councils lying in WSSCA jurisdiction regarding subject matter. Reply was not convincing as government instructions were not followed.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends regularization of expenditure.

### **4.3 Assets Management**

#### **4.3.1 Loss due to missing of standby machinery of water supply schemes**

According to XEN PHE letter No w-561/01 dated 18/04/2019 addressed to WSSCA Abbottabad and copy endorsed to Deputy Commissioner and others;

During performance audit of effectiveness of water supply schemes, it was observed that, standby machinery in fifteen (15) Water Supply Schemes was missing.

The lapse occurred due to weak administrative controls resulting in loss to the government.

When pointed out in March 2020, management stated that efforts were made to recover the missing machinery from WSSCA. However, no positive response has been received till date. The matter will be taken up with the District Administration and progress in this regard will be intimated to Audit. Reply was not convincing as missing items were not recovered.

Request for convening the DAC meeting was made in September, 2020 with subsequent reminders. However DAC meeting was not convened till finalization of this report.

Audit recommends the matter should be investigated and machinery should be recovered from WSSCA besides initiating disciplinary action against person(s) at fault.

## **4.4 Monitoring and Evaluation**

### **4.4.1 Weak monitoring system**

Losses to the public exchequer, non-functional water supply schemes and other lapses indicate lack of adequate monitoring and supervision mechanism.

### **4.4.2 Internal Controls**

Lack of internal control is evident from the shortcomings pointed out in this report. Abnormal delay in implementation of the water supply schemes, non-completion of developmental schemes and non-achievement of its objectives indicate that the internal controls were ineffective

### **4.4.3 Non-conducting of internal audit.**

According to para-13 of GFR Vol-1, each Head of the Department will get the accounts of his office and those of the subordinate disbursing officers inspect at least once in every financial year by a Senior Officer not connected with the accounts matters. The result of these inspections should be endorsed to the Audit.

No internal audit of the management of water supply schemes has been carried out. The lapse occurred due to weak internal controls and financial indiscipline.

Audit recommends that internal audit of the management of water supply schemes be carried out and the internal audit report be submitted to Audit and Administrative Secretary accordingly for necessary action. The Administrative Department was also not aware of the financial mismanagement.

#### **4.5 Compliance with Grant/ Loan Covenants**

Instances of non-compliance with applicable rules and regulations have been reported in the audit findings.

#### **4.6 Environment.**

The execution of the water supply schemes has no negative environmental impacts. In Abbottabad, the distribution network mostly comprises of Galvanized Iron, Asbestos Cement, and PVC pipe material. The distribution network is almost 25 years old and need immediate replacement. Some of the distribution network was observed to be passing through the sanitation drains which are one of the major sources of contamination in the pipelines and unhygienic water.

#### **4.7 Sustainability**

The Water Supply Schemes are sustainable. The Water Supply Schemes are an essential program and relevant to the priorities of the government.

#### **4.8 Overall Assessment**

In view of the observations, it was concluded that management failed in provision of clean drinking water to the community satisfactorily, economically, efficiently and effectively. The failure was occurred due to improper planning, non-functioning of tube wells, financial mismanagement, weak internal controls and weak monitoring which resulted in non-supply of drinking water. The intended outputs were not achieved within the planned time and budget.

##### **i. Relevance**

The Water supply schemes are essential program and relevant to the priorities of the government. However, lack of monitoring and supervision system has resulted into inefficient use of resources.

**ii. Efficacy**

With the help of sound monitoring system, focused approach and efforts, the program would be a tremendous success in achieving its objectives.

**iii. Efficiency**

The goals of the program could not be achieved due to poor planning, inefficient execution and monitoring and lack of coordination among all the stakeholders. Moreover, funds were not utilized in time and judicious manner.

**vi. Economy**

The available funds were not utilized timely and economically which resulted in deferred benefits. The pace of recovery of revenue from water charges was very low as there were no proper mechanism for connections/disconnections and legalization of illegal connections. No revenue was recovered from water users by ADLGE&RDD Abbottabad.

**v. Effectiveness**

The management failed to enhance capacity building of staff, establishment of water quality testing laboratories, and establishment of enough Water supply schemes. The program would have been more effective, if the activities were planned in the professional way and executed accordingly.

**vi. Compliance with Rules**

Major instances of non-compliance with applicable rules and regulations have been reported in the audit findings.

**vii. Performance rating of the program**

Moderately satisfactory

**viii. Risk rating of the program**

Medium.

## **5. CONCLUSION**

### **5.1 Key issues for the future and lesson learned**

The Water Supply Schemes were not managed with due regard to economy, efficiency and effectiveness. The ill planning and weak internal controls had caused negative financial impacts in shape of non-recovery of water charges and deferred benefits.

There was no formal Master plan for water supply schemes at district level which can provide management guiding tools to ensure access to clean safe drinking water to the community. Without a formal framework it is difficult to coordinate the effort and roles of agencies i.e. WSSCA, PHED and LGE&RDD, in order to reduce the risk of duplication or non-performance of activities.

## **6. RECOMMENDATIONS**

Audit recommends that:

1. Losses to public exchequer should be investigated to fix responsibility besides recovery from the person(s) at fault.
2. Water supply schemes should be properly planned, monitored, implemented and strictly supervised to provide clean drinking water to community.
3. Coordination between all the relevant stakeholders and steps for preparation of master plan for new and old schemes should be ensured.
4. Training programs should be started for capacity building of staff in order to enhance their skills and capabilities.
5. Water Testing Laboratories should be established and water tests should be carried out at appropriate time/intervals.
6. Government dues should be recovered immediately and deposited into treasury.
7. The unauthorized payment should be regularized.



8. All the incomplete schemes and works should be completed without further delay.
9. Non-functional tube wells should be operationalized.
10. Government assets should be safeguarded.

## **ACKNOWLEDGEMENT**

We wish to express our appreciation to the management of Water Supply and Sanitation Company Abbottabad, Assistant Director LGE&RDD and XEN Public Health Engineering Division Abbottabad for the assistance and cooperation extended to the auditors during this assignment.

## ANNEXURES

### Annex-1

#### Detail of Demand and shortfall of water supply

Detail of Demand and shortfall of water in Gallons per day of WSSCA						
Number of Operational Tube wells	Average Pumping Hours per Day	Average Discharge of the Tube well (GPH)	Total Production from Tube wells and Treatment Plant (GPD)	Actual Demand (based on 35 gpcd)	Total Shortfall (gallons per day)	
14	10	8,000	2,580,766	3,806,740	1,225,974/	
Detail of population served and unserved by PHED						
Total No of schemes completed upto 06/2019	Population as per 2017 census	Registered connections	Unregistered connections	Total connection	Total population served (avg 7 person per family)	Total population unserved
364	1,332,912	22,268	6,503	28,771	201,397	1,131,515
Detail of population served and unserved by ADLGE&RDD						
Financial year	Total No of schemes executed	Population of VC/NCs as per 2017 census	Beneficiaries as per PC-I	Total No of connections	Total population served (avg 7 person per family)	Un-served population
2017-19	617	1,162,513	122,157	5,786	40,502	1,122,011

**Details of outstanding water charges**

WSSCA			
Financial Year	Revenue accrued	Recovery made	Outstanding(Rs)
2018-19	88,365,577	69,955,815	18,409,762

PHED				
Financial Year	Sub Division	Revenue accrued	Recovery made	Outstanding(Rs)
2018-19	Sub Division I	26,228,781	1,748,599	24,480,182
	Sub Division II	40,686,301	2,468,082	38,218,219
Total		66,915,082	4,216,681	62,698,401

Detail of outstanding against gravity flow scheme connections of PHED					
No. of connections	Rate per month	Period	Revenue accrued	Recovery made	Outstanding(Rs)
6503	120	12	9,364,320	0	9,364,320

**Detail of non functional Water supply schemes of WSSCA**

S.#	Name of scheme
1	Tube well Narian land 1
2	Tube well Narian land 2
3	Tube well Narian land 3
4	Tube well Narian land 4
5	Tube well Narian land 5
6	Tube well Narian land 6
7	Jharian to Almansor road Nawasher TW2
8	Jharian to Almansor road Nawasher TW3
9	Jharian to Almansor road Nawasher TW4
10	PMA/stoney Jheel TW 1
11	PMA/stoney Jheel TW 2
12	PMA/stoney Jheel TW 3
13	PMA/stoney Jheel TW 4
14	Jharian road Tube well Nawasher No.6
15	High School ERRRA TW No 5
16	Sath Kaho Tube well No 7
17	PMU Nawasher Tube well No 8
18	PMU Nawasher Tube well No 9
<b>Total</b>	

**Detail of non-functional schemes of PHED**

Non-functional schemes of PHED	
S #	Name of scheme
1	WSS Banda Dalazak
2	WSS Matmerra
3	WSSSalhad
4	WSS bandaPaghwarian
5	WSS Baldheri

## Schemes executed in jurisdiction of WSSCA during 2018-19

S. No.	VC / NC	Name of Scheme	Estimated Cost	Expenditure	Status
1	Khola Kehal	hand pump gali no 3 khola kehal	200,000	0	in progress
2	City Urban-I	Hand Pump Ssp Office Atta	125,000	125,000	Completed
3	City Urban-II	2 Nos Hand Pump City Urban 2	600,000	0	in progress
4	Malik Pura-III	01 Hand Pumps	150,000	147,648	Completed
5	Nawan Shehr urban	WSS, In Front Of Manzoor Hussain House. Al Mansoor Road Mohallah Qillaha	100,000	100,000	Completed
6	khosar town	WSS main road ilyasi lake to tahir khan house khosar town	100,000	51,968	Completed
7	Al mansoor	wss main road to shabbir hussain hose al mansoor road mohallah qillah	100,000	46,038	Completed
8	Mohallah qillah	wss in front of azam and asim house mohallah qillah	100,000	36,737	Completed
		<b>Total</b>	<b>1,475,000</b>	<b>507,391</b>	